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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 was approximately HK$172.5 million, representing a decrease of 26.1% from approximately HK$233.3 million for the year ended 31 December 2022.

- Gross profit for the year ended 31 December 2023 was approximately HK$25.1 million, representing a decrease of 54.2% from approximately HK$54.8 million for the year ended 31 December 2022.

- Selling expenses for the year ended 31 December 2023 were approximately HK$28.9 million, representing a decrease of 39.9% of approximately HK$48.1 million for the year ended 31 December 2022.

- Loss attributable to the owners of the Company for the year ended 31 December 2023 were approximately HK$27.9 million, representing a decrease of 39.2% of approximately HK$45.9 million for the year ended 31 December 2022.

- The Board has resolved not to declare a final dividend for the year ended 31 December 2023.

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Milan Station Holdings Limited (the "**Company**") presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	Notes	**2023** *HK$'000*	2022 *HK$'000*
REVENUE	*5*	**172,525**	233,280
Cost of sales		**(147,385)**	(178,506)
Gross profit		**25,140**	54,774
Provision for allowance for expected credit losses ("**ECLs**")		**(5,328)**	(8,920)
Impairment loss on property, plant and equipment and right-of-use assets		**(2,371)**	–
Other income	*6*	**3,823**	4,497
Other (losses)/gains, net	*7*	**(2,087)**	(16,501)
Selling expenses		**(28,872)**	(48,072)
Administrative and other operating expenses		**(17,127)**	(29,657)
Loss from operations		**(26,822)**	(43,879)
Finance costs	*8*	**(1,262)**	(968)
LOSS BEFORE TAX	*9*	**(28,084)**	(44,847)
Income tax credit/(expense)	*10*	**200**	(321)
LOSS FOR THE YEAR		**(27,884)**	(45,168)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(16)**	7
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(27,900)**	(45,161)

	Notes	**2023**	2022
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(27,884)**	(45,855)
Non-controlling interests		**–**	687
		(27,884)	(45,168)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(27,900)**	(45,848)
Non-controlling interests		**–**	687
		(27,900)	(45,161)
LOSS PER SHARE	*12*		
– Basic and Diluted (HK cent)		**(3.17)**	(6.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,078**	4,983
Intangible assets		**–**	–
Right-of-use assets		**12,927**	15,233
Deposits		**1,689**	3,081
		16,694	23,297
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**22,762**	20,059
Prepayments, deposits and other receivables		**12,833**	15,655
Inventories		**47,501**	44,497
Trade receivables	*13*	**1,843**	5,732
Loan receivables	*14*	**5,762**	12,749
Cash and bank balances		**10,337**	18,479
Income tax recoverable		**93**	114
		101,131	117,285
CURRENT LIABILITIES			
Trade and other payables	*15*	**11,941**	10,887
Contract liabilities		**63**	301
Lease liabilities		**7,481**	8,673
Income tax liabilities		**278**	479
		19,763	20,340
NET CURRENT ASSETS		**81,368**	96,945
TOTAL ASSETS LESS CURRENT LIABILITIES		**98,062**	120,242

	Notes	**2023** **HK$'000**	2022 *HK$'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**5,993**	7,272
Bond payables		**6,979**	–
Provisions		**272**	252
		13,244	7,524
NET ASSETS		**84,818**	112,718
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Share capital		**35,231**	35,231
Reserves		**49,587**	77,487
TOTAL EQUITY		**84,818**	112,718

Notes:

1. GENERAL INFORMATION

The Company was a public limited company incorporated in the Cayman Islands on 1 November 2007 as an exempted company with limited liability. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room 13, 6/F, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are retailing of handbags, natural aroma, skincare products and accessories.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and accounting principles general accepted in Hong Kong. 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 with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Material accounting policies information adopted by the Group are disclosed below.

The HKICPA has issued certain new and amendments to 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

(a) New and amendments 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's consolidated financial position and performance for the current and prior years and/or on the disclosures set out in this consolidated financial statements.

(b) Amendments to HKFRSs in issue but not yet effective

The Group has not applied any new amendments to standards and interpretation have been issued but are not yet effective for the financial year beginning 1 January 2023. The 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 HKAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 – Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 – Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 – Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

The directors of the Company anticipate that the application of the above amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

(c) Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's consolidated financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those consolidated financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its consolidated financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance and the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

(d) Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

In June 2022, the Hong Kong SAR Government (the "**Government**") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**"), which will come into effect from 1st May, 2025 (the "**Transition Date**"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("**MPF**") scheme to reduce the long service payment ("**LSP**") in respect of an employee's service from the Transition Date (the abolition of the "**offsetting mechanism**"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

Applying this approach, upon the enactment of the Amendment Ordinance in June 2022, it is no longer permissible to apply the practical expedient in paragraph 93(b) of HKAS 19 that previously allowed such deemed contributions to be recognised as reduction of service cost (negative service cost) in the period the contributions were made. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit. The Amendment Ordinance has no material impact on the Group's LSP liability and staff cost.

4. OPERATING SEGMENT INFORMATION

The board of directors is the chief operating decision maker. The Group's principal activity is the retail of handbags, fashion accessories, natural aroma and skincare products. Since it is the only operating segment of the Group for the purpose of resource allocation and assessment focus on revenue analysis by products, no further analysis thereof is presented. Since the Group's revenue is principally derived from sales of goods in Hong Kong, and the Group's location of the non-current assets are located in Hong Kong. Accordingly, only entity-wide disclosure are presented.

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 2023 and 2022 and no information about major customers is presented accordingly.

5. REVENUE

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

	2023	2022
	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	**168,285**	187,740
Sales of natural aroma, skincare products and fashion accessories	**4,240**	45,540
	172,525	233,280
Primary geographical markets		
Hong Kong	**172,525**	233,280

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

6. OTHER INCOME

	2023	2022
	HK$'000	*HK$'000*
Bank interest income	**37**	11
Interest income on loan receivables	**1,309**	888
Imputed interest on lease deposits	**147**	200
Imputed interest on bond payables	**1,544**	–
Covid-19-related rent concessions	**–**	115
Government grants (Note)	**–**	1,826
Consultancy fee income	**225**	432
Management fee income	**331**	331
Others	**230**	694
	3,823	4,497

Note: There were no government grants recognised during the year ended 31 December 2023. During the year ended 31 December 2022, the Group recognised government grants of approximately HK$1,826,000 in respect of Covid-19-related subsidies, of which approximately HK$1,376,000 and HK$450,000 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.

7. OTHER (LOSSES)/GAINS, NET

	2023	2022
	HK$'000	*HK$'000*
Fair value loss on financial assets at fair value through profit or loss	**(2,248)**	(22,082)
Gain on disposal of financial assets at fair value through profit or loss	**203**	599
Loss on disposal of property, plant and equipment	**(44)**	(3)
Gain of disposal of subsidiaries	**–**	4,264
Exchange differences, net	**2**	721
	(2,087)	(16,501)

8. FINANCE COSTS

	2023	2022
	HK$'000	*HK$'000*
Imputed interest expenses on bond payables	**523**	–
Interest expenses on lease liabilities	**739**	968
	1,262	968

9. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging the followings:

	2023	2022
	HK$'000	*HK$'000*
Cost of inventories sold	**147,385**	178,506
Allowance for inventories (included in cost of sales)	**2,781**	–
Depreciation		
– property, plant and equipment	**2,201**	3,939
– right-of-use assets	**9,790**	15,050
	11,991	18,989
Expenses relating to short term lease	**2,007**	293
Share-based payments expense		
Directors	**–**	1,818
Employees	**–**	4,238
	–	6,056
Auditor's remuneration		
– Audit services	**670**	620
Directors' emolument	**1,111**	3,523
Employee benefit expenses (excluding directors' emoluments)		
– Salaries, wages and other benefits	**13,034**	21,499
– Pension scheme contributions	**431**	793
– Share-based payments	**–**	4,238
	13,465	26,530
Total staff costs (including directors' emoluments)	**14,576**	30,053
Provision for reinstatement cost	**170**	–

10. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group's Hong Kong entities have no assessable profit during the year ended 31 December 2023.

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the year ended 31 December 2023.

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 of the Group is 25% from 1 April 2008 onwards. No provision for EIT Law is required since the PRC subsidiaries of the Group have no assessable profits for the year ended 31 December 2023 (2022: Nil).

Macau complementary tax is calculated at 12% of the estimated assessable profit exceeding MOP600,000 for both years. No provision for Macau complementary tax has been made in the consolidated financial statements since the Group's Macau entities have no assessable profit during the year ended 31 December 2023 (2022: Nil).

	2023	2022
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
Provision for the year	**–**	321
Macau complementary tax:		
Over-provision in respect of prior years	**(200)**	–
Total tax (credit)/expense for the year	**(200)**	321

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2023 (2022: Nil), nor has any dividend been proposed since the end of the reporting periods.

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$27,884,000 (2022: HK$45,855,000) and the weighted average of 880,786,650 (2022: 755,327,583) ordinary shares in issue during the year.

During the years ended 31 December 2023 and 2022, no adjustment has been made to the basic loss per share presented in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic loss per share amounts presented.

13. 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.

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**2,280**	8,720
Less: Allowance for ECLs	**(437)**	(2,988)
	1,843	5,732

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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**1,006**	2,919
1 to 2 months	**13**	32
2 to 3 months	**–**	255
4 to 6 months	**–**	66
7 to 12 months	**824**	2,460
	1,843	5,732

Customers are generally granted with credit term of 0-90 days during the years ended 31 December 2023 and 2022.

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

14. LOAN RECEIVABLES

The Group's loan receivables, which arise from the money lending business in Hong Kong, are unsecured, interest-bearing at rate 8 (2022: 8%) per annum. The loan receivables are short-term loans and repayable by 1 year (2022: 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:

	2023	2022
	HK$'000	*HK$'000*
Loan receivables	**15,916**	18,279
Less: Allowance for ECLs	**(10,154)**	(5,530)
Within 1 year	**5,762**	12,749

Loan receivables are denominated in Hong Kong dollars.

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

15. TRADE AND OTHER PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**1,452**	468
Accrued liabilities	**6,494**	7,153
Other payables	**1,495**	766
Deposits received	**2,500**	2,500
	11,941	10,887

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

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**1,452**	468

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

Trade and other payables are denominated in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2023, the retail industry remained a challenging time since the changed of the customers behavior. Customers changed to oversea consumption instead of local. Fortunately, the tourism market is likely to recover which can help the retail industry at the same time.

In 2023, the local labour market saw some improvement. The seasonally adjusted unemployment rate fell to 2.9% in December 2023. 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 December 2023, provisionally estimated at HK$36.3 billion, increased by 7.8% compared with the same month in 2022.

The global economy has continued to recover, thanks to the 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, economic conditions, customers behavior and government policies.

BUSINESS REVIEW

During the Reporting Year, the Group's total revenue decreased by approximately 26.1% to approximately HK$172.5 million. The revenues generated in the markets of Hong Kong only of the Group's revenue. The Group's gross profit at approximately HK$25.1 million, which was decreased by 54.2% as compared to last year. The net loss for the year decreased approximately HK$45.2 million to net loss of approximately HK$27.9 million mainly due to the decrease in the administrative and selling expenses.

Hong Kong

During the Reporting Year, sales of the Group in Hong Kong decreased by 26.1% to approximately HK$172.5 million. The revenue came from the 5 "Milan Station" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

The Group adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. During the Reporting 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 2023, the Group held the listed securities in Hong Kong with the fair value of HK$22.8 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$2.2 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 Reporting 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 2023 *HK$'000*	Addition *HK$'000*	Proceed *HK$'000*	Gain on disposal *HK$'000*	Fair value loss *HK$'000*	Fair value As at 31 December 2023 *HK$'000*	Percentage of shareholding *(approximately)*	Approximate percentage to the total assets
Tai Kam Holdings Limited	8321	2,067	–	–	–	2,343	4,410	3.6%	3.7%
Others		17,992	5,442	(695)	203	(4,590)	18,352		
		20,059	5,442	(695)	203	(2,247)	22,762		

For the years ended 31 December 2023 and 2022, the Group has no impairment loss was recognised on others financial assets at fair value through profit or loss.

At 31 December 2023, the Group held (i) approximately 8.9 million shares (approximately 3.62%) of Tai Kam Holdings Limited. The company was listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Tai Kam Holdings Limited is principally engaged in construction business mainly site formation works and renovation works in Hong Kong. The investment cost of Tai Kam Holdings Limited is HK$6.4 million. The Group adopted a passive investment strategy for the investments and maintain a diversified investment portfolio to mitigate risks.

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 2023, the loan receivables were due from ten independent third parties. The interest rates of the loan receivables are 8% per annum. The total loan receivables are HK$5.8 million. All of the loan receivables are unsecured, of which the largest loan receivables of approximately HK$1.9 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 2023. The aged analysis of the loan receivables as at 31 December 2023 is within 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 2023, 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 allowance of expected credit losses of loan and interest receivables is approximately HK$10.2 million (2022: HK$5.5 million). The increase in the allowance of expected credit losses was mainly due to the increase in the default rate of certain borrowers due to the limited repayment of debts has been received during the year. The credit loss rate of borrowers was ranged from 2% to 100%, therefore the grants of loans were fair and reasonable.

Outlook

Domestically, the government starts launching different promotion to attract visitors and stimulate the tourism 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 and the cancellation of the restriction of cross-border mobility. However, various uncertainty such as the uncertainty of the development and effect of China-US relations, geopolitical tensions, economic conditions, customers behavior and government policies 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 Reporting Year, total revenue decreased to approximately HK$172.5 million, representing a decrease of 26.1% as compared to approximately HK$233.3 million recorded in last year. Handbags were the most important product category for the Group, representing over 97.6% of the total revenue of the Group. The revenue generated from the sales of unused products decreased to approximately HK$131.7 million recorded in 2023, representing 76.3% 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 2023, the revenue generated from the Hong Kong market was approximately HK$172.5 million, representing approximately 100% of the total revenue of the Group. No revenue was generated from the Mainland China and Macau market during the Reporting Year.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2023 and 2022 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				
	2023		2022		
		Percentage of total revenue		Percentage of total revenue	Percentage change in revenue
	HK$ million	***%***	*HK$ million*	*%*	*%*
By product categories (handbags and other products)					
Handbags	**168.3**	**97.6**	187.7	80.5	(10.3)
Other products*	**4.2**	**2.4**	45.6	19.5	(90.8)
Total	**172.5**	**100**	233.3	100	(26.1)
By product categories (unused and second-hand products)					
Unused products	**131.7**	**76.3**	181.7	77.9	(27.5)
Second-hand products	**40.8**	**23.7**	51.6	22.1	(20.9)
Total	**172.5**	**100**	233.3	100	(26.1)

	For the year ended 31 December				
	2023		2022		
		Percentage of total revenue		Percentage of total revenue	Percentage change in revenue
	HK$ million	***%***	*HK$ million*	*%*	*%*
By price range of products					
Within HK$10,000	**21.1**	**12.3**	57.8	24.8	(63.5)
HK$10,001 – HK$30,000	**40.0**	**23.2**	37.9	16.3	5.5
HK$30,001 – HK$50,000	**29.9**	**17.3**	34.8	14.9	(14.1)
Above HK$50,000	**81.5**	**47.2**	102.8	44.0	(20.7)
Total	**172.5**	**100**	233.3	100	(26.1)
By geographical locations					
Hong Kong	**172.5**	**100**	233.3	100	(26.1)
Macau	**–**	**–**	–	–	–
Total	**172.5**	**100**	233.3	100	(26.1)

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

Cost of sales

For the year ended 31 December 2023, cost of sales for the Group was approximately HK$147.4 million, decreased by 17.4% year-on-year. Cost of sales mainly consisted of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the year under review decreased by HK$29.7 million to approximately HK$25.1 million, with its gross profit margin decreased from 23.5% to 14.6%.

Inventories

The Group's total inventories as at 31 December 2023 and 2022 were HK$47.5 million and HK$44.5 million respectively. Inventory turnover days of the Group changed to 114 days for the year ended 31 December 2023 (2022: 96 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	
	2023	2022
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**7,134**	9,394
91 to 180 days	**8,349**	6,215
181 days to 1 year	**9,972**	9,724
Over 1 year	**21,278**	18,419
Total	**46,733**	43,752

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	
	2023	2022
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**78**	125
46 to 90 days	**24**	104
91 days to 1 year	**288**	228
Over 1 year	**378**	288
Total	**768**	745

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	
	2023	2022
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**2,472**	5,539
91 to 180 days	**6,053**	3,511
181 days to 1 year	**6,617**	7,448
Over 1 year	**3,044**	9,555
Total	**18,186**	26,053

Other income and gains

During the year ended 31 December 2023, other income and gains amounted to approximately HK$3.8 million, decreased by HK$0.7 million as compared to other income and gains amounted to approximately HK$4.5 million in last year. It was mainly attributable to the absence of government grant.

Other (losses)/gains, net

During the year ended 31 December 2023, other losses amounted to approximately HK$2.1 million, as compared to other loss amounted to approximately HK$16.5 million in last year. It was mainly attributable to the decrease 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 2023, selling expenses of the Group were approximately HK$28.9 million, representing 16.8% of the Group's revenue (2022: approximately HK$48.1 million, representing 20.6% of the Group's revenue). Selling expenses decreased mainly due to the decrease in credit card charges, salaries and marketing expenses resulting from the disposal of a subsidiary.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2023 amounted to approximately HK$17.1 million, decreased by approximately HK$12.6 million as compared to last year on a year-on-year basis, representing approximately 9.9% of the revenue. The Group's administrative and other operating expenses mainly consisted of the depreciation of right-of-use assets, directors' remuneration, salaries and employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses. The decrease in administrative and other operating expenses was mainly due to the decrease in salaries resulting from the disposal of subsidiary and absence of share-based payment expenses recognized during the year.

Finance costs

Finance costs of the Group mainly consisted of interest expenses on bank borrowings and lease liabilities. Finance costs amounted to approximately HK$1.3 million in 2023, increased by HK$0.3 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 2023 decreased from approximately HK$45.9 million for the year ended 31 December 2022 to approximately HK$27.9 million. Loss per share attributable to the owners of the Company was approximately HK3.17 cents for the year ended 31 December 2023, as compared to loss per share attributable to the owners of the Company of approximately HK6.07 cents for the year ended 31 December 2022.

Employees and remuneration policy

As at 31 December 2023, the Group had a total of 37 employees (2022: 63 employees). The gender ratio of the Group's workforce (including senior management) was approximately 32% male to approximately 68% female. The Group shall continue to take into account diversity perspectives including gender diversity in its hiring of employees from time to time. 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 the directors of the Company (the "**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 2023 and 31 December 2022, the Group did not have any bank borrowing.

As at 31 December 2023, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$10.3 million, HK$33.0 million and HK$84.8 million respectively (2022: approximately HK$18.5 million, HK$27.9 million and HK$112.7 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2023 were approximately 24.1%, 5.1 and 2.7 respectively (2022: 14.1%, 5.8 and 3.6 respectively).

Pledge of assets

As at 31 December 2023 and 31 December 2022, 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 2023, 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 2023 and 31 December 2022.

CORPORATE GOVERNANCE PRACTICE

The board of Directors (the "**Board**") 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 C1 of the Rules (the "**Listing Rules**") Governing the Listing of Securities on the Main Board of the Stock Exchange as its own code of corporate governance practice.

During the year ended 31 December 2023 (the "**Reporting Year**"), the Company had complied with all applicable code provisions under the CG Code save as disclosed below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules. 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 for the Reporting Year.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2023 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

(i) As at 31 December 2023, the net proceeds of initial public offering ("**IPO**") had been utilised as follows:

	Planned use of proceeds *HK$ million*	Actual use of proceeds up to 31 December 2022 *HK$ million*	Use of proceed not yet utilized *HK$ million*
Expansion of retail network in the PRC market	113.5	113.5	–
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	202.7	–

The use of proceeds from the IPO are proposed to be used as intended.

(ii) As at 31 December 2023, the net proceeds from the Placing under general mandate were applied as follow:

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

The use of proceeds from the Placing are proposed to be used as intended.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules except for the following deviations.

Under code provision C.5.3 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 C.5.3 of the CG Code in future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors.

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

The figures in respect of the consolidated statement of financial position as at 31 December 2023 and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 of the Group as set out in the announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods on the announcement.

REVIEW OF FINANCIAL STATEMENTS

The preliminary results announcements and consolidated financial statements of the Group for the year ended 31 December 2023 and the accounting policies and practices adopted by the Group during the year under review and matters of auditing, internal controls and financial reporting have been discussed with the management and reviewed by the Audit Committee.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2023 (2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

The Group entered into the new lease agreement with the landlord on 23 January 2024 in respect of the lease of the Premises for a term of 3 years. The total amount of lease payment is approximately HK$2,879,000.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at hk.milanstation.com. The 2023 annual report containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company by the end of April 2024.

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

Hong Kong, 25 March 2024

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.