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MILAN STATION HOLDINGS LIMITED
米蘭站控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2021 was approximately HK\$245 million, representing an increase of 39.2% from approximately HK\$176 million for the year ended 31 December 2020.
- Gross profit for the year ended 31 December 2021 was approximately HK\$70.9 million, representing an increase of 66.8% from approximately HK\$42.5 million for the year ended 31 December 2020.
- Selling expenses for the year ended 31 December 2021 were approximately HK\$51.1 million, representing an increase of 57.2% of approximately HK\$32.5 million for the year ended 31 December 2020.
- Profit attributable to the owners of the Company for the year ended 31 December 2021 turned around from loss of approximately HK\$3.1 million for the year ended 31 December 2020 to approximately HK\$20.5 million.
- The Board has resolved not to declare a final dividend for the year ended 31 December 2021.

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 2021 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 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
REVENUE	<i>6</i>	245,018	175,973
Cost of sales		<u>(174,095)</u>	<u>(133,513)</u>
Gross profit		70,923	42,460
(Provision for)/reversal of allowance for expected credit losses (“ECLs”)		(93)	20
Other income and gains	<i>7</i>	23,473	8,719
Selling expenses		(51,139)	(32,460)
Administrative and other operating expenses		(19,867)	(20,963)
Finance costs	<i>8</i>	<u>(1,002)</u>	<u>(773)</u>
PROFIT/(LOSS) BEFORE TAX	<i>9</i>	22,295	(2,997)
Income tax expense	<i>10</i>	<u>(140)</u>	<u>(158)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>22,155</u>	<u>(3,155)</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		<u>(6)</u>	<u>14</u>
Other comprehensive (loss)/income for the year		<u>(6)</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		<u>22,149</u>	<u>(3,141)</u>
Profit/(loss) for the year attributable to:			
Owners of the Company		20,530	(3,108)
Non-controlling interests		<u>1,625</u>	<u>(47)</u>
		<u>22,155</u>	<u>(3,155)</u>
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		20,524	(3,094)
Non-controlling interests		<u>1,625</u>	<u>(47)</u>
		<u>22,149</u>	<u>(3,141)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted (HK cent)	<i>12</i>	<u>HK2.88 cent</u>	<u>HK(1.19 cent)</u>

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2021*

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,905	4,441
Intangible assets		–	–
Right-of-use assets		17,655	21,077
Deposits		2,563	2,981
		<hr/>	<hr/>
Total non-current assets		30,123	28,499
CURRENT ASSETS			
Inventories		49,758	37,822
Trade receivables	<i>13</i>	4,782	2,773
Loan receivables	<i>14</i>	13,076	12,927
Prepayments, deposits and other receivables		10,395	4,181
Financial assets at fair value through profit or loss		36,162	12,191
Current tax assets		96	–
Cash and cash equivalents		28,552	67,576
		<hr/>	<hr/>
Total current assets		142,821	137,470
CURRENT LIABILITIES			
Trade and other payables	<i>15</i>	16,674	29,442
Contract liabilities		2,299	547
Lease liabilities		12,268	11,212
Provisions		–	1,360
Current tax liabilities		541	442
		<hr/>	<hr/>
Total current liabilities		31,782	43,003
NET CURRENT ASSETS			
		<hr/>	<hr/>
		111,039	94,467
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		141,162	122,966

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		6,207	10,220
Provisions		252	192
		<hr/>	<hr/>
Total non-current liabilities		6,459	10,412
		<hr/>	<hr/>
NET ASSETS			
		134,703	112,554
		<hr/>	<hr/>
EQUITY			
Issued capital		28,477	28,477
Reserves		105,349	84,825
		<hr/>	<hr/>
Equity attributable to owners of the Company		133,826	113,302
Non-controlling interests		877	(748)
		<hr/>	<hr/>
TOTAL EQUITY		134,703	112,554
		<hr/>	<hr/>

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 shares are listed on The Stock Exchange of Hong Kong Limited (“**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, fashion accessories, embellishments and spa and wellness products. There were no significant changes in the nature of the Group’s principal activities during the year.

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 disclosed 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 AMENDMENTS TO HKFRSs

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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKFRS 7, HKFRS 4
and HKFRS 16

– Interest Rate Benchmark Reform – Phase 2

New and amendments to HKFRSs in issue but not yet effective

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new revised HKFRS that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new revised HKFRS include the following which may be relevant to the Group.

	Effective for financial year beginning on or after
Amendments to HKFRS 3 Business Combination – Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Provision, Contingent liabilities and Contingent Assets	
– Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 – 2020 Cycle	1 January 2022
Amendments to HKAS 1 Presentation of Financial Statements	
– Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements	
– Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	
– Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes	
– Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

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

Consolidation

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

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

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

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

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

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

5. OPERATING SEGMENT INFORMATION

The board of directors is the chief operating decision maker. The Group's principal activity is the retail of handbags, fashion accessories, embellishments and spa and wellness 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 <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Revenue from external customers	<u>242,900</u>	<u>2,118</u>	<u>–</u>	<u>245,018</u>
Non-current assets	<u>30,123</u>	<u>–</u>	<u>–</u>	<u>30,123</u>
Capital expenditure	<u>8,452</u>	<u>–</u>	<u>–</u>	<u>8,452</u>
Year ended 31 December 2020				
Revenue from external customers	<u>172,474</u>	<u>3,499</u>	<u>–</u>	<u>175,973</u>
Non-current assets	<u>28,499</u>	<u>–</u>	<u>–</u>	<u>28,499</u>
Capital expenditure	<u>2,865</u>	<u>–</u>	<u>11</u>	<u>2,876</u>

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the year (2020: Nil) and no information about major customers is presented accordingly.

Information about major products

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Handbags	200,601	147,120
Other products	44,417	28,853
	<u>245,018</u>	<u>175,973</u>

6. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Disaggregation of revenue from contracts with customers by major products for the year as follow:		
Revenue from contracts with customers within the scope of HKFRS 15:		
Sales of handbags	200,601	147,120
Sales of natural aroma, skincare products and accessories	44,417	28,853
	<u>245,018</u>	<u>175,973</u>
Timing of revenue recognition:		
A point in time	<u>245,018</u>	<u>175,973</u>
Geographical market:		
Hong Kong	242,900	172,474
Macau	2,118	3,499
	<u>245,018</u>	<u>175,973</u>

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

7. OTHER INCOME AND GAINS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income and gains		
Bank interest income	11	14
Fair value gain on financial assets at fair value through profit or loss	14,161	1,890
Gain on disposal of financial assets at fair value through profit or loss	3,180	–
Gain on termination of right-of-use assets	18	–
Gain on disposal of right-of-use assets	–	326
Gain on disposals of property, plant and equipment	2,900	–
Other Interest income	1,123	1,090
Covid-19-related rent concessions	373	409
Government grants (Note)	100	3,920
Others	1,607	1,070
	<u>23,473</u>	<u>8,719</u>

Note: During the year ended 31 December 2021, the Group recognised government grants of HK\$100,000 (2020: HK\$3,920,000) in respect of Covid-19-related subsidies, of which HK\$100,000 (2020: HK\$2,731,000) and HK\$Nil (2020: HK\$1,189,000) 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.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest expenses on bank overdraft	4	–
Interest expenses on lease liabilities	998	773
	<u>1,002</u>	<u>773</u>

9. PROFIT/(LOSS) BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost of inventories recognised as an expense	174,095	133,513
Depreciation		
– owned assets	2,988	2,061
– right-of-use assets	16,193	15,284
	19,181	17,345
Expenses relating to short term lease	168	567
Provision for/(reversal of) allowance for ECLs	93	(20)
Equity-settled share-based payment		
Directors	–	252
Other employees	–	1,011
	–	1,263
Auditors' remuneration		
– Audit service	620	900
– Non-audit service	220	–
	840	900
Provision for litigation	–	1,300
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	24,746	16,865
Pension scheme contributions	873	643
Equity-settled share-based payment	–	1,011
	25,619	18,519

10. INCOME TAX EXPENSE

Under the two-tiered 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%.

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.

	2021	2020
	HK\$’000	HK\$’000
The charge comprises:		
Current tax:		
Hong Kong profits tax	–	59
Under-provision in respect of prior years:		
Hong Kong profits tax	<u>140</u>	<u>99</u>
Total tax expense for the year	<u><u>140</u></u>	<u><u>158</u></u>

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

	Group	
	2021	2020
	HK\$’000	HK\$’000
Profit/(loss) before tax	<u><u>22,295</u></u>	<u><u>(2,997)</u></u>
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	3,679	(508)
Under-provision in respect of prior years	140	99
Tax effect of income not taxable for tax purpose	(2,892)	(1,420)
Tax concession	–	(10)
Tax effect of expenses not deductible for tax purposes	1,460	543
Tax effect of tax losses not recognised	(2,328)	1,492
Tax effect of utilisation of tax losses not previously recognised	(62)	–
Effect of different tax rates of subsidiaries	<u>143</u>	<u>(38)</u>
Income tax expense	<u><u>140</u></u>	<u><u>158</u></u>

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021 (2020: HK\$Nil), nor has any dividend been proposed since the end of the reporting period.

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit for the year attributable to owners of the Company of HK\$20,530,000 (2020: loss: HK\$3,108,000) and the weighted average of 711,928,875 ordinary shares (2020: 261,470,570) in issue during the year.

During the years ended 31 December 2020 and 2021, no adjustment has been made to the basic earnings/(loss) per share amounts presented in respect of a dilution as the impact of the share options outstanding had no dilutive effect on the basic earnings/(loss) per share amounts presented.

13. TRADE RECEIVABLES

The Group's trading terms with its customers 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	<u>4,782</u>	<u>2,773</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	4,494	1,724
1 to 2 months	119	195
2 to 3 months	30	3
Over 3 months	<u>139</u>	<u>851</u>
	<u>4,782</u>	<u>2,773</u>

Customers are generally granted with credit term of 0-90 days during the years ended 31 December 2021 and 2020.

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.

As at 31 December 2021, as most of the trade receivables are neither not overdue 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.

14. LOAN RECEIVABLES

The Group's loan receivables, which arise from the money lending business in Hong Kong, are interest-bearing and repayable with fixed terms agreed with Group's customers.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
6 months to 1 year	<u>13,076</u>	<u>12,927</u>

15. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	1,421	9,317
Accrued liabilities	8,696	10,619
Other payables	835	2,626
Amount due to non-controlling interests	3,222	3,960
Deposits received	2,500	2,920
	<u>16,674</u>	<u>29,442</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	1,421	1,362
2 to 3 months	–	660
Over 3 months	–	7,295
	<u>1,421</u>	<u>9,317</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

2021 remained a particularly challenging time for the Hong Kong economy, especially to the retail industry. In order to contain the spread of the COVID-19 epidemic, many countries implemented stringent border control measures during the year and inbound tourism remaining at a standstill. However, the Hong Kong economy is on track for recovery in 2021 alongside the improving global economic conditions and receding local epidemic. Real GDP sustained notable year-on-year growth of 7%.

As a result of the regulation of compulsory quarantine imposed by the Hong Kong Government, inbound tourism remained frozen in 2021. According to the monthly report issued by the Hong Kong Tourism Board, the number of visitor arrivals from January to December 2021 recorded a dramatical decrease of 97.4% as compared to 2020.

Although inbound tourism activities remained severely hindered amid widespread travel restrictions, local labour market saw some improvement lately. The seasonally adjusted unemployment rate fell to 3.9% in November 2021 to January 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 December 2021, provisionally estimated at HK\$33.3 billion, increased by 6.1% compared with the same month in 2020, reflecting a recovery for the retail industry.

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 more infectious Delta and Omicron variants, 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 increased by approximately 39.2% to approximately HK\$245 million. The revenues generated in the markets of Hong Kong and Macau accounted for 99.1% and 0.9% respectively of the Group's revenue. The Group's gross profit at approximately HK\$70.9 million, which was increased by 66.8% as compared to last year. The net loss for the year changed from approximately HK\$3.1 million to net profit of approximately HK\$22.2 million mainly due to the increase in revenue, the fair value gain and gain on disposal on financial assets through profit or loss of approximately by HK\$14.2 million and HK\$3.2 million respectively.

Hong Kong

During the year, sales of the Group in Hong Kong increased by 39.2% to approximately HK\$245 million. The revenue came from the 5 "Milan Station" retail stores, the 8 "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 2021, the Group held the listed securities in Hong Kong with the fair value of HK\$36.1 million under financial assets at fair value through profit or loss. The Group recognised a fair value gain and gain on disposal on financial assets through profit or loss of approximately HK\$14.2 million and HK\$3.2 million respectively. 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

The gambling industry and tourism industry in Macau steadily improved during the year. The Group's revenue from the Macau market decreased by 40.0% to approximately HK\$2.1 million.

Significant Investments

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

Company	Stock code	As at 1 January 2021 <i>HK\$'000</i>	Gain on disposal <i>HK\$'000</i>	Fair value gain/(loss) <i>HK\$'000</i>	As at 31 December 2021 <i>HK\$'000</i>	Percentage of shareholding <i>(approximately)</i>	Approximate percentage to the total assets
China e-Wallet Payment Group Limited	802	4,760	–	(480)	4,280	1.33%	2.5%
Tai Kam Holdings Limited	8321	1,691	–	8,337	11,580	3.87%	6.7%
Others		5,740	3,180	6,304	20,302		
		<u>12,191</u>	<u>3,180</u>	<u>14,161</u>	<u>36,162</u>		

For the year ended 31 December 2021, the Group has no impairment loss was recognised (2020: HK\$5,400) on others financial assets at fair value through profit or loss.

Outlook

Global economic recovery is likely to be uneven and bumpy. The threat of the pandemic will continue to cloud the global economic outlook until an effective vaccine is widely available. The surge of COVID-19 infections since mid-July and the resultant tightening of social distancing measures have heavily weighed on private consumption and business sentiment. Containing the epidemic is pivotal to the recovery of local consumption activity.

Even the vaccination has been accelerated worldwide, the mutation of virus strains remains ahead. The business environment in 2022 will remain volatile. Although there was a recovery for the retail industry in 2021, the outbreak of wave 5 epidemic in the first quarter of 2022 severely hurt sales in Hong Kong including the sales of our Group. The local consumption activities are also severely affected.

Many countries have been loosening measures of restriction as they started resuming business and social activities. Yet, economic recovery may take some time to gather momentum. Looking forward, the pandemic resurgence, geopolitical tensions and trade protectionism will continue to challenge the Hong Kong economy.

In the persisting deep turmoil induced by US-China trade relation and COVID-19 epidemic to global market, the management will impose most prudent business policy to operate with great caution and lead the Group through unprecedented challenges. The Group will also closely monitoring the market conditions and will focus on local customer preferences.

The management will continue to monitor the effects from the potential global issues and the development of pandemic in order to strength our core business and seek for better growth prospects and returns. Cost controls will be an ongoing focus, especially in terms of negotiating sharp deals for store leases and ensuring advertising is as targeted and cost-effective as possible.

The management believes, with the tremendous efforts by all our staff, the Group is well positioned to turn challenges into opportunities and will strengthen our competitiveness overcome the challenges in the coming future and continue our growth with the diverting business model.

FINANCIAL REVIEW

Revenue

During the year, total revenue increased to approximately HK\$245.0 million, representing an increase of 39.2% as compared to approximately HK\$176.0 million recorded in last year. Handbags were the most important product category for the Group, representing over 81.9% of the total revenue of the Group. The revenue generated from the sales of unused products increased to approximately HK\$192.4 million recorded in last year, representing 78.5% 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 2021, the revenue generated from the Hong Kong market was approximately HK\$242.9 million, representing approximately 99.1% 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\$3.5 million during the last year to approximately HK\$2.1 million during the year ended 31 December 2021.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2021 and 2020 by product categories, by price range of products and by geographical locations and their respective percentages to the total revenue of the Group:

	For the year ended 31 December				Percentage change in revenue %
	2021		2020		
	<i>HK\$ million</i>	Percentage of total revenue %	<i>HK\$ million</i>	Percentage of total revenue %	
By product categories (handbags and other products)					
Handbags	200.6	81.9	147.1	83.6	36.4
Other products*	44.4	18.1	28.9	16.4	53.6
Total	<u>245.0</u>	<u>100</u>	<u>176.0</u>	<u>100</u>	39.2
By product categories (unused and second-hand products)					
Unused products	192.4	78.5	168.2	95.6	14.4
Second-hand products	52.6	21.5	7.8	4.4	574.4
Total	<u>245.0</u>	<u>100</u>	<u>176.0</u>	<u>100</u>	39.2
By price range of products					
Within HK\$10,000	64.5	26.3	37.9	21.5	70.2
HK\$10,001 – HK\$30,000	44.2	18.0	34.1	19.4	29.6
HK\$30,001 – HK\$50,000	33.0	13.5	17.0	9.7	94.1
Above HK\$50,000	103.3	42.2	87.0	49.4	18.7
Total	<u>245.0</u>	<u>100</u>	<u>176.0</u>	<u>100</u>	39.2
By geographical locations					
Hong Kong	242.9	99.1	172.5	98.0	40.8
Macau	2.1	0.9	3.5	2.0	(40.0)
Total	<u>245.0</u>	<u>100</u>	<u>176.0</u>	<u>100</u>	39.2

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

Cost of sales

For the year ended 31 December 2021, cost of sales for the Group was approximately HK\$174.1 million, increased by 30.4% year-on-year. Cost of sales mainly consisted of cost of inventories sold by the Group's suppliers. The increase in cost of sales was in line with the increase in revenue.

Gross profit and gross profit margin

Gross profit of the Group for the year under review increased by HK\$28.4 million to approximately HK\$70.9 million, with its gross profit margin increased slightly from 24.1% to 28.9%.

Inventories

The Group's total inventories as at 31 December 2021 and 2020 were HK\$49.8 million and HK\$37.8 million respectively. Inventory turnover days of the Group changed to 91 days for the year ended 31 December 2021 (2020: 107 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (handbags products)		
0 to 90 days	16,039	9,804
91 to 180 days	7,989	3,673
181 days to 1 year	9,095	6,873
Over 1 year	13,807	15,321
	<hr/>	<hr/>
Total	46,930	35,671
	<hr/> <hr/>	<hr/> <hr/>

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (other products)		
0 to 45 days	1,144	977
46 to 90 days	774	579
91 days to 1 year	572	110
Over 1 year	338	485
	<hr/>	<hr/>
Total	2,828	2,151
	<hr/> <hr/>	<hr/> <hr/>

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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	10,678	8,603
91 to 180 days	5,276	1,717
181 days to 1 year	5,767	4,338
Over 1 year	4,687	6,015
	<hr/>	<hr/>
Total	26,408	20,673
	<hr/> <hr/>	<hr/> <hr/>

Other income and gains

During the year ended 31 December 2021, other income and gains amounted to approximately HK\$23.5 million, increased by HK\$14.8 million as compared to other income and gains amounted to approximately HK\$8.7 million in last year. It was mainly attributable to the increase in fair value gain and gain on disposal on financial assets through profit or loss of approximately HK\$14.2 million and HK\$3.2 million respectively.

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 2021, selling expenses of the Group were approximately HK\$51.1 million, representing 20.9% of the Group's revenue (2020: approximately HK\$32.5 million, representing 18.5% of the Group's revenue). Selling expenses increased mainly due to the increased 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 2021 amounted to approximately HK\$19.9 million, decreased by approximately HK\$1.1 million as compared to last year on a year-on-year basis, representing approximately 8.1% 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 depreciation of right-of-use assets and the effective cost control on the administrative 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\$1 million in 2021, increased by HK\$0.2 million as compared to last year.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company for the year ended 31 December 2021 turned around from loss of approximately HK\$3.1 million for the year ended 31 December 2020 to approximately HK\$20.5 million. Earnings per share attributable to the owners of the Company was approximately HK2.88 cents for the year ended 31 December 2021, as compared to loss per share attributable to the owners of the Company of approximately HK1.19 cents for the year ended 31 December 2020.

Employees and remuneration policy

As at 31 December 2021, the Group had a total of 66 employees (2020: 61 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 2021 and 31 December 2020, the Group did not have any bank borrowing.

As at 31 December 2021, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$28.6 million, HK\$38.2 million and HK\$133.8 million respectively (2020: approximately HK\$67.6 million, HK\$53.4 million and HK\$113.3 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2021 were approximately 13.7%, 4.5 and 2.9 respectively (2020: 19%, 3.2 and 2.3 respectively).

Pledge of assets

As at 31 December 2021 and 31 December 2020, 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 2021, 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 2021 and 31 December 2020.

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 2021 (the “Reporting Year”), the Company had complied with all applicable code provisions under the CG Code save as disclosed below.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) as the code of conduct regarding securities transactions by the Directors (the “Model Code”). Having made specific enquiries to the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

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 2021 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 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2021 and 31 December 2020.

USE OF NET PROCEEDS

- (i) As at 31 December 2021, the net proceeds of initial public offering (“IPO”) had been utilised as follows:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$ million</i>	Use of proceed not yet utilized <i>HK\$ million</i>
Expansion of retail network in the PRC market	113.5	110.4	3.1
Decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau	12.0	12.0	–
Marketing and promotion of the Group	17.0	17.0	–
Design and development of private label “MS” brand products	4.0	4.0	–
Exploration of online sales channel	2.4	2.4	–
Staff training and development	2.8	2.8	–
Upgrading of the Group's information technology system	3.2	3.2	–
General working capital	10.3	10.3	–
Acquisition of the property for own use	37.5	37.5	–
	<u>202.7</u>	<u>199.6</u>	<u>3.1</u>

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

(ii) As at 31 December 2021, the net proceeds from the Rights Issue were applied as follow:

	Planned use of proceeds <i>HK\$ million</i>	Actual use of proceeds up to 31 December 2021 <i>HK\$ million</i>	Use of proceed not yet utilized <i>HK\$ million</i>
Settlement of rental expenses and management fee of the Group's retail stores	27.6	21.1	6.5
Payment of salaries of the Group's employees	17.3	13.5	3.8
Settlement of the Group's trade payables	4.9	4.9	–
Opening and Tsim Sha Tsui operating a new retail store in Tsim Sha Tsui	4.0	4.0	–
	<u>53.8</u>	<u>43.5</u>	<u>10.3</u>

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 4 months.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2021, the Company complied with all applicable code provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules except for the following deviations.

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

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

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 of the Group as set out in the announcement have been agreed by the Company's auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by McMillan Woods (Hong Kong) CPA Limited 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 (Hong Kong) CPA Limited on the announcement.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2021 and the accounting principles 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 of the Company.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2021 (2020: Nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.milanstation.com.hk. The 2021 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 2022.

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

Hong Kong, 28 March 2022

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