



米蘭站控股有限公司  
MILAN STATION HOLDINGS LIMITED  
(Incorporated in Cayman Islands with limited liability)

STOCK CODE : 1150

ANNUAL REPORT

2021 年報

## Contents

	Pages
Corporation Information	2
Financial Highlights	3
Director's Statement	4
Management Discussion and Analysis	6
Biographical Details	13
Corporate Governance Report	15
Report of the Directors	26
Independent Auditor's Report	37
Consolidated:	
Statement of Profit or Loss and Other Comprehensive Income	42
Statement of Financial Position	43
Statement of Changes in Equity	44
Statement of Cash Flows	45
Notes to the Consolidated Financial Statements	47
Five Years Financial Summary	112

## Corporate Information

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Hu Bo  
Mr. Li Zhongqi  
Ms. Lin Mei Sze (appointed on 13 July 2021)

#### Independent Non-executive Directors

Mr. Chan Chi Hung  
Mr. Tou Kin Chuen  
Mr. Choi Kam Yan, Simon

### AUDIT COMMITTEE

Mr. Tou Kin Chuen  
*(Chairman of audit committee)*  
Mr. Chan Chi Hung  
Mr. Choi Kam Yan, Simon

### REMUNERATION COMMITTEE

Mr. Tou Kin Chuen  
*(Chairman of remuneration committee)*  
Mr. Chan Chi Hung  
Mr. Hu Bo

### NOMINATION COMMITTEE

Mr. Hu Bo  
*(Chairman of nomination committee)*  
Mr. Chan Chi Hung  
Mr. Tou Kin Chuen

### AUDITORS

McMillan Woods (Hong Kong) CPA Limited  
24/F., Siu On Centre  
188 Lockhart Road  
Wanchai  
Hong Kong

### COMPANY SECRETARY

Mr. Yung Kai Wing

### AUTHORISED REPRESENTATIVES

Mr. Hu Bo  
Mr. Yung Kai Wing

### REGISTERED OFFICE

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 13, 6/F, Block A  
Hong Kong Industrial Centre,  
489-491 Castle Peak Road,  
Kowloon

### CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A,  
Block 3, Building D,  
P.O. Box 1586, Gardenia Court,  
Camana Bay,  
Grand Cayman, KY1-1100,  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wan Chai, Hong Kong

### COMPANY'S WEBSITE

[www.milanstation.com.hk](http://www.milanstation.com.hk)

### STOCK CODE

1150

### PRINCIPAL BANKERS

#### HONG KONG

OCBC Wing Hang Bank Limited  
DBS Bank (Hong Kong) Limited  
China Construction Bank (Asia) Corporation Limited

## Financial Highlights

The following table sets forth certain financial ratio of Milan Station Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) as of the date for the years indicated:

	Notes	Year ended 31 December	
		2021	2020
<b>Profitability ratio</b>			
Gross profit margin (%)	1	<b>28.9%</b>	24.1%
Net gain/(loss) margin (%)	2	<b>9.0%</b>	(1.8)%
Return on assets (%)	3	<b>12.8%</b>	(1.9)%
Return on equity (%)	4	<b>16.4%</b>	(2.8)%
<b>Liquidity ratio</b>			
Current ratio	5	<b>4.5</b>	3.2
Quick ratio	6	<b>2.9</b>	2.3
Gearing ratio (%)	7	<b>13.7%</b>	19%
Inventory turnover days	8	<b>91</b>	107

*Notes:*

- Gross profit margin is calculated based on the gross profit for the year divided by revenue and multiplied by 100%.
- Net gain/(loss) margin is calculated based on the gain/(loss) for the year divided by revenue and multiplied by 100%.
- Return on assets is calculated based on the gain/(loss) for the year divided by the total assets at the end of the year and multiplied by 100%.
- Return on equity is calculated based on the gain/(loss) for the year divided by total equity at the end of the year and multiplied by 100%.
- Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.
- Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the year.
- Gearing ratio is calculated based on the borrowings and obligations under a finance lease divided by total equity at the end of the year and multiplied by 100%.
- Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by the number of days for the respective year incurring cost of sales.

## Director's Statement

Dear Shareholders,

After falling into the deep recession in the Hong Kong economy in 2020, there were some improvement on Hong Kong's economy in 2021 reflected by the decrease in the unemployment rate, the growth of private consumption expenditure and the increase in total retail sales in Hong Kong.

The inbound tourism remained frozen in 2021, the Group will have to depend heavily on the local consumption as its core support. During the year, the Group well use of the resources from the rental concession and government subsidies and put it on the staff welfare effectively which bring into an successful increase in revenue and a turnaround from loss to net profit in 2021.

In view of the impact from the pandemic, the management kept monitoring and continued to strength our core business and seek for better growth prospects and returns. The Group continued to actively integrate traditional retail networks, enrich product portfolio to cater for consumers' changing preferences and actively identify business with profitability capabilities. The Group also kept abreast of the changes in the rental market, negotiated with landlords and adjusted the store portfolio from time to time to ensure that the site selected for the stores met the requirements for cost effectiveness.

During the year, the financial market in Hong Kong was volatile. The Group will closely monitor the performance of this business. The Group will keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Looking forward to 2022, the major focus will be the results of the mass vaccination campaigns around the world and China-US relations under the new US administration. It is believed that Hong Kong retail market will remain challenging in 2022, the outbreak of wave 5 epidemic, a series of measures to restrict cross-border mobility and social distance caused the tourism market is unlikely to recover in the near future. Containing the epidemic is pivotal to the recovery of local consumption activity.

If the Government's enhanced efforts to fight the virus and the local vaccination campaign can yield the intended results, there should be a more solid and broad-based revival of domestic economic activities in 2022. The recovery path going forward will hinge crucially on the development of the pandemic. Hong Kong economy therefore predict continue to recover in 2022. In the future, we will continue to monitor closely the market trends and take flexible measures and at the same time continue to invest resources on brands and businesses to achieve a long term and sustainable growth.

Our core development strategies are to continue consolidating our leading position in the Hong Kong market, further promoting local consumption, expanding diversified businesses targeting at capturing the development potential of the second-hand handbags market, developing the trading of luxury watches market and at the same time taking a prudent approach to develop the Mainland China market. Specifically, we will open retail stores in Hong Kong to cater for local consumer market, negotiate rent concession with landlords aiming at controlling rental costs, focus on mid-priced brands sales to improve our gross profit margin, reposition our staff to enhance operation efficiency, actively search for the opportunities to acquire profitable businesses, enrich the brand portfolio of the Group to attract more potential customers. Going forward, the Group will continue to pursue opportunities to keep up with the evolving marketplace and optimize its corporate strategy of creating long-term value for shareholders.

## Director's Statement

Finally, I would like to take this opportunity to extend my sincere gratitude to the fellow members of the Board, the management and staff for their contribution to Milan Station in the past year and to shareholders and customers for their long-lasting support to Milan Station. In 2022, we will devote more energetic spirit and keep up our efforts to experiment with different approaches to business development with the aim of generating appropriate returns to our shareholders.

**Hu Bo**

*Director*

Hong Kong, 28 March 2022

# Management Discussion and Analysis

## 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 dramatic 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.

## Management Discussion and Analysis

### Hong Kong

During the year, sales of the Group in Hong Kong increased by 40.8% to approximately HK\$242.9 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	Gain on disposal	Fair value gain/(loss)	As at 31 December 2021	Percentage of shareholding	Approximate percentage to the total assets
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	(approximately)	
China e-Wallet Payment Group Limited	802	4,760	–	(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		
		12,191	3,180	14,161	36,162		

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.

## Management Discussion and Analysis

### 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.

## Management Discussion and Analysis

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		2020		Percentage change in revenue
	2021		2020		
	HK\$ million	Percentage of total revenue	HK\$ million	Percentage of total revenue	
<b>By product categories (handbags and other products)</b>					
Handbags	200.6	81.9	147.1	83.6	36.4
Other products*	44.4	18.1	28.9	16.4	53.6
<b>Total</b>	<b>245.0</b>	<b>100</b>	<b>176.0</b>	<b>100</b>	<b>39.2</b>
<b>By product categories (unused and second-hand products)</b>					
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
<b>Total</b>	<b>245.0</b>	<b>100</b>	<b>176.0</b>	<b>100</b>	<b>39.2</b>
<b>By price range of products</b>					
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
<b>Total</b>	<b>245.0</b>	<b>100</b>	<b>176.0</b>	<b>100</b>	<b>39.2</b>
<b>By geographical locations</b>					
Hong Kong	242.9	99.1	172.5	98.0	40.8
Macau	2.1	0.9	3.5	2.0	(40.0)
<b>Total</b>	<b>245.0</b>	<b>100</b>	<b>176.0</b>	<b>100</b>	<b>39.2</b>

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

## Management Discussion and Analysis

### 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
	HK\$'000	HK\$'000
<b>Aging of inventories (handbags products)</b>		
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
Total	<b>46,930</b>	<b>35,671</b>

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
	HK\$'000	HK\$'000
<b>Aging of inventories (other products)</b>		
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
Total	<b>2,828</b>	<b>2,151</b>

## Management Discussion and Analysis

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
	HK\$'000	HK\$'000
<b>Aging of inventories (handbags products over HK\$50,000)</b>		
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
Total	26,408	20,673

### 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.

## Management Discussion and Analysis

### 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 69 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.

## Biographical Details

### EXECUTIVE DIRECTORS

**Mr. Hu Bo**, aged 45, was appointed as an Executive Director on 6 June 2016. He was graduated from Dongbei University of Finance and Economics in 2002. He has extensive experience in sales and marketing strategies and management. Prior joining to the Group, he was the Sales Director and Deputy General Manager at Shenzhen Huayi Technology Co., Limited (深圳華億信息科技有限公司).

**Mr. Li Zhongqi**, aged 32, was appointed as an Executive Director on 16 April 2019. He was graduated from Guangdong University of Technology in 2011. He has extensive experience in management, formulating and implementing the strategic plan including overseeing the completion operation in accordance with the direction established in the strategic plans. Prior joining to the Group, he was the Chief Operating Officer at Guangdong Yili Engineering Co., Limited\* (廣東宜利工程有限公司).

**Ms. Lin Mei Sze**, aged 36, was appointed as an Executive Director and Chairman on 13 July 2021. She had over 16 years of experience in the areas of retail and online marketing of fashionable and luxury products. She was familiar with retail business, personnel management and had rich experience in operations and marketing development. She also had extensive experience in financial investments. Prior joining to the Group, she was the senior management of a sizable financial firm who responsible for decision making on the operations including but not limited to financial, compliance control, risk management, business development and monitoring the performance of the management to ensure the proper planning, authorization and implementation of business operations.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Chi Hung**, aged 48, was appointed as an independent non-executive Director on 22 July 2015. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently a non-executive director of Build King Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was an executive director of EPI (Holdings) Limited, an executive director and the managing director of China Financial Leasing Group Limited and an independent non-executive director of DTI Group Limited (formerly known as China Minsheng Drawin Technology Group Limited), all of the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios. He started his career as a banker at J.P. Morgan Chase.

**Mr. Tou Kin Chuen**, aged 45, was appointed as an independent non-executive Director on 22 July 2015. He is the principal of Roger K.C. Tou & Co. Mr. Tou graduated from the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) with a Honours Diploma in Accounting in 2001. He has over 19 years' experience in audit, taxation, company secretarial, insolvency and finance. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. He is currently an independent non-executive director of Suncity Group Holdings Limited (formerly known as Sun Century Group Limited), the shares of which are listed on the Main Board of the Stock Exchange, and Sun International Group Limited (formerly known as Sun International Resources Limited), the shares of which are listed on the GEM operated by the Stock Exchange.

**Mr. Choi Kam Yan, Simon**, aged 37, was appointed as an independent non-executive Director on 1 February 2018. He is currently working with Supreme China Securities Limited as the marketing manager. He is responsible for the managerial works and monitoring the overall business. Before Supreme China Securities Limited, he worked with China Information Technology Development Limited as the investment project consultant which is responsible for assessing expected return on individual investment projects. Mr. Choi obtained Bachelor Degrees in Business Administration-Finance and Economics from State University of New York at Stony Brook.

## Biographical Details

### SENIOR MANAGEMENT

**Mr. Chan Hon Leung**, aged 51, is the chief marketing officer of the Group. He joined the Group as a shop manager in 2001 and was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. In 2007, he was promoted to a district manager of the Group and was responsible for supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. Since 2009, he was appointed to be chief marketing officer of the Group. He is now responsible for the overall management of marketing department which includes determining the product portfolio, formulating the marketing and pricing strategies of the Group. In addition, he is currently in charge of the in-house training courses including product knowledge and techniques for product examination. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about ten years of experience in the fashion retail industry.

**Mr. Choi Wai Kei**, aged 48, is the General Manager of the Group. He joined the Group in 2013 and has over seventeen years of experience in practical retail operations and sales management in Hong Kong, China and Southeast Asia. He is currently responsible for overseeing the Group's retail operation. Before joining the Group, he worked as the South China General Manager in High Fashion International Limited, a company listed on the Main Board of the Stock Exchange, from May 2011 to January 2013; National General Manager (Greater China) in Marchiori from October 2009 to April 2011; and Regional Sales Manager (China) in G2000 (Apparel) Limited from July 2005 to September 2009.

## Corporate Governance Report

### 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.

### CAPITAL STRUCTURE AND TREASURY POLICIES

The Group consistently employed a prudent treasury policy during its development and generally financed its operations and business development with internally generated resources and equity and/or debt financing activities. The Group also adopted flexible and prudent fiscal policies to effectively manage the Group’s assets and liabilities and strengthen the Group’s financial position.

### BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group’s businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management.

The Board currently consists of six members, including three Executive Directors and three Independent Non-executive Directors. At least one of our Independent Non-executive Directors has the professional and accounting qualifications as required by the Listing Rules.

The Board schedules at least four regular meetings a year and also meets as and when required. During the Reporting Year, the Board held four regular meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the Reporting Year, certain Board meetings were convened with less than 14 days’ notice to facilitate the Directors’ timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors. In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors.

## Corporate Governance Report

All Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The members of the Board and the attendance of each member during the Reporting Year are as follows:

	<b>Directors</b>	<b>Number of attendance/ Eligible to attended</b>
Executive Directors	Hu Bo	5/6
	Li Zhongqi	5/6
	Lin Mei Sze (appointed on 13 July 2021)	2/2
Independent Non-executive Directors	Chan Chi Hung	6/6
	Tou Kin Chuen	6/6
	Choi Kam Yan, Simon	6/6

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees at their next immediate meeting or within the period accepted by them. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the Directors' biographical details. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on page 13 of this annual report.

Pursuant to Article 84 of the Articles of Association of the Company, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three year. All retiring Directors shall be eligible for re-election. All the Non-executive Directors (including the Independent Non-executive Directors) have been appointed for specific terms.

Article 83(3) of the Articles of Association of the Company provides that (i) any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the shareholders after his appointment and be subject to re-election at such meeting, and (ii) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## Corporate Governance Report

The attendance of the Directors at the Annual General Meeting (“AGM”) held on 30 June 2021, are as follows:

	Directors	AGM
Executive Directors	Hu Bo	0/1
	Li Zhongqi	0/1
	Lin Mei Sze (appointed on 13 July 2021)	0/0
Independent Non-executive Directors	Chan Chi Hung	1/1
	Tou Kin Chuen	1/1
	Choi Kam Yan, Simon	1/1

### DIRECTORS’ INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to submit a signed training record to the Company on quarterly basis.

During the Reporting Year, each individual Director has attended training courses or workshops relevant to his/her professional and/or duties as Director. A summary of the training they have received for the year ended 31 December 2021 is as follow:

	Directors	Course/seminar provided/ accredited by professional body	Reading materials
Executive Directors	Hu Bo	–	✓
	Li Zhongqi	–	✓
	Lin Mei Sze (appointed on 13 July 2021)	–	✓
Independent Non-executive Directors	Chan Chi Hung	✓	–
	Tou Kin Chuen	✓	–
	Choi Kam Yan, Simon	✓	–

## Corporate Governance Report

### BOARD NOMINATION POLICY

The Nomination Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of the Group and its shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives. Candidates also will be assessed in the context of the then-current composition of the Board, the operating requirements of the Group. In conducting this assessment, the Nomination Committee will, in connection with its assessment and recommendation of candidates for director, consider diversity (including, but not limited to, gender, race, ethnicity, age, experience and skills) and such other factors as it deems appropriate given the then current and anticipated future needs of the Board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the Board.

The Nomination Committee considers the following qualifications at a minimum to be required of any Board members in recommending to the Board potential new board members, or the continued service of existing members:

- the highest professional and personal ethics;
- broad experience in business;
- ability to provide insights and practical wisdom based on their experience and expertise;
- commitment to enhancing shareholder value;
- sufficient time to effectively carry out their duties; their service on other boards of public companies should be limited to a reasonable number;
- compliance with legal and regulatory requirements; and
- ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Group.

### BOARD DIVERSITY POLICY

During the year, the Board adopted a Board diversity policy setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board had a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background and professional experience. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board. The Company will also take into account factors based on its own business model and specific needs from time to time.

The nomination committee reviewed the board diversity policy and achievement of objectives and effectiveness of the board diversity policy, and recommended the Board that the existing Board was appropriately structured and no change was required.

## Corporate Governance Report

### REMUNERATION COMMITTEE

The Remuneration Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the Remuneration Committee conducts reviews of the performance, and determines the compensation structure of the senior management.

During the Reporting Year, the Remuneration Committee comprises three Directors, a majority of whom are Independent Non-executive Directors. The Remuneration Committee held three meetings.

The members of the Remuneration Committee and the attendance of each member during the Reporting Year are as follows:

Remuneration Committee Members		Number of attendance/ Eligible to attended
Independent Non-executive Directors	Tou Kin Chuen ( <i>Chairman</i> )	3/3
	Chan Chi Hung	3/3
Executive Director	Hu Bo	3/3

During the Reporting Year, the Remuneration Committee performed the following duties:

- (1) reviewed the year end bonus and remuneration packages (including salary adjustments) of the Executive Directors and senior management with recommendations to the Board for approval;
- (2) reviewed the remuneration packages of the newly appointed Executive Director and Independent Non-executive Directors with recommendations to the Board for approval; and
- (3) reviewed the proposals for the grant of the share options under the Company's share option scheme with recommendations to the Board for approval.

## Corporate Governance Report

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2021 is set out below:

Remuneration band	Number of individuals
Nil to HK\$1,000,000	2
HK\$1,000,001 to HK\$3,000,000	2
HK\$3,000,001 to HK\$6,500,000	–

Details of the remuneration of each Director for the year ended 31 December 2021 are set out in note 11 to the consolidated financial statements.

### NOMINATION COMMITTEE

The Nomination Committee was established on 20 January 2012 with specific written terms of reference in compliance with the CG Code. During the Reporting Year, the Nomination Committee comprises three Directors, a majority of whom are Independent Non-executive Directors. The Nomination Committee held three meetings.

The Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The members of the Nomination Committee and the attendance of each member during the Reporting Year are as follows:

Nomination Committee Members		Number of attendance/Eligible to attended
Executive Director	Hu Bo ( <i>Chairman</i> )	3/3
Independent Non-executive Directors	Chan Chi Hung Tou Kin Chuen	3/3 3/3

## Corporate Governance Report

During the Reporting Year, the Nomination Committee performed the following duties:

- (a) reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;
- (b) assessed the independence of all Independent Non-executive Directors;
- (c) made recommendations to the Board on the nomination of Directors for re-election at the annual general meeting of the Company; and
- (d) identified individual suitably qualified to become the Executive Director and Independent Non-executive Directors and made recommendation to the Board on the selection of individual nominated for the Executive Director and Independent Non-executive Directors.
- (e) monitor the implementation of the board diversity policy.
- (f) determine the policy, procedures and criteria for the nomination of directors.

### AUDIT COMMITTEE

The Audit Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. In December 2015, on the recommendation of the Audit Committee, the Board has approved and adopted the revised terms of reference of the Audit Committee in light of the amendments of CG Code, and the same published on the websites of the Stock Exchange and the Company.

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system as well as risk management function of the Group and providing advice and comments to the Board.

During the Reporting Year, the Audit Committee held two meetings.

The members of the Audit Committee and the attendance of each member during the Reporting Year are as follows:

<b>Audit Committee Members</b>		<b>Number of attendance/Eligible to attended</b>
Independent Non-executive Directors	Chan Chi Hung	2/2
	Tou Kin Chuen (Chairman)	2/2
	Choi Kam Yan, Simon	2/2

## Corporate Governance Report

During the Reporting Year, the Audit Committee performed the following duties:

- (a) reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2021 and the audited financial statements for the year ended 31 December 2020 with recommendation to the Board for approval;
- (b) reviewed reports on internal control system covering corporate governance, internal control, financial, operational (including information security) and compliance functions;
- (c) considered the independent auditor's independence and fee in relation to the unaudited interim financial statements of the Group for the six months ended 30 June 2021 and the audited financial statements of the Group for the year ended 31 December 2020;
- (d) recommended the Board on the re-establishment of the Internal Audit Department of the Group; and
- (e) recommended the Board on the adoption of the revised terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Tou Kin Chuen, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during one year after he ceases to be partner of the auditing firm.

### AUDITORS' REMUNERATION

During the Reporting Year, the Group was charged, HK\$620,000 for auditing services by the Company's auditors, McMillan Woods (Hong Kong) CPA Limited.

Services rendered	Fees/paid payable
	HK\$'000
Audit services – annual audit	620
Non-audit services:	
Taxation services	–
	<hr style="border-top: 1px solid black;"/>
	620
	<hr style="border-top: 3px double black;"/>

## Corporate Governance Report

### CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors;  
and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

### DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

### ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2021 and for the year ended 31 December 2021, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the Reporting Year have been prepared on a going concern basis.

The reporting responsibilities of the Company's external auditor, McMillan Woods (Hong Kong) CPA Limited, are stated in the "Independent Auditor's Report" on pages 37 to 41 of this annual report.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss, and to mitigate rather than eliminate risks of failure in the operational systems and achievements of the Group's business objectives.

## Corporate Governance Report

The Board has engaged an independent internal control review advisor (the “Internal Control Advisor”), conducted interim and annual reviews of the effectiveness of the internal control system of the Group covering the Group’s corporate governance, internal control, financial, operational (including information security), as well as risk management function and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board also ensures the internal controls are in place and functioning properly as intended. During the risk assessment process, the Internal Control Advisor interviewed the relevant personal and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

In response to the risk management report, the management shall implement proper policies and procedures to review the effectiveness of risk management and internal control and remedy any defects of internal control, including conduct evaluation on a regular basis to keep abreast of the related information in a timely manner so as to facilitate the Audit Committee and the Board to evaluate the effectiveness of control and risk management of the Group.

For the year ended 31 December 2021, the Board and Audit committee have reviewed and confirmed the effectiveness of the risk management and internal control systems.

The Group has a formal whistle-blowing policy to encourage and guide its staff to raise serious concerns internally in a responsible manner, without fear of retribution. During the year under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Group has the Inside Information Policy which sets out guidelines to the Directors and senior management of the Group to ensure inside information of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

### COMPANY SECRETARY

Mr. Yung Kai Wing (“Mr. Yung”) has been appointed as the company secretary of the Company since 1 September 2016. According to Rule 3.29 of the Listing Rules, Mr. Yung has taken no less than 15 hours of professional training during the year ended 31 December 2021.

### COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company established a shareholders’ communication policy and reviews it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders (the “Shareholders”), the potential investors or the investment community (collectively, the “Investors”) of the Company mainly in the following ways:

- (a) the holding of annual general meetings and extraordinary general meetings, if any, which may be convened for specific purpose and provide opportunities for the Shareholders and Investors to communicate directly with the Board;
- (b) the publication of interim and annual reports, circulars, announcements and notice of shareholder meetings as required under the Listing Rules and/or press releases of the Company providing updated information of the Group; and
- (c) the latest information of the Group will be available on the websites of the Stock Exchange and the Company.

## Corporate Governance Report

The annual general meetings shall be called by notice of not less than 21 clear days and not less than 20 clear business days prior to the date of meetings and any extraordinary general meetings at which the passing a special resolution is to be considered shall be called by notice of not less than 21 clear days and not less than 10 clear business days prior to the date of meetings. All other extraordinary general meetings may be called by notice of not less than 14 clear days and not less than 10 clear business days prior to the date of meetings.

### SHAREHOLDERS' RIGHTS

#### Convening an Extraordinary General Meeting by Shareholders

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Procedures for Sending Enquiries and Proposals to the Board

Shareholder(s) may send in their enquiries and put forward proposals to the Board of the Company by sending the same to:

The Director  
Milan Station Holdings Limited  
Room 13, 6/F, Block A  
Hong Kong Industrial Centre,  
489-491 Castle Peak Road,  
Kowloon

OR

Email: [ms\\_ir@milanstation.net](mailto:ms_ir@milanstation.net)

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

### INVESTOR RELATIONS

There is no significant change in the Company's constitutional documents during the Reporting Year.

## Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 19 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

### BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 are provided in the "Director's Statement" and "Management Discussion and Analysis" on pages 4 to 5 and pages 6 to 12, respectively, of this annual report.

### RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 42 to 112 of this annual report.

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

### 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	Actual use of proceeds up to 31 December 2021	Use of proceed not yet utilized
	HK\$ million	HK\$ million	HK\$ million
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	–
	202.7	199.6	3.1

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.

## Report of the Directors

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

	Planned use of proceeds	Actual use of proceeds up to 31 December 2021	Use of proceed not yet utilized
	HK\$ million	HK\$ million	HK\$ million
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 operating a new retail store in Tsim Sha Tsui	4.0	4.0	–
	53.8	43.5	10.3

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.

### SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and restated/reclassified as appropriate, is set out on page 112 of this annual report. This summary does not form part of the audited consolidated financial statements.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in Company's issued share capital during the year are set out in note 31 to the consolidated financial statements.

Details of movements in the Company's share options during the year are set out in note 32 to the consolidated financial statements and pages 31 to 32 of this report.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company (the "Shareholders") unless otherwise required by the Stock Exchange.

## Report of the Directors

### 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.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2021 are set out in note 38 to the consolidated financial statements and in the consolidated statement of changes in equity.

### DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution amounted to approximately HK\$3,551,000, representing the share premium account and capital reserve of the Company of approximately HK\$806,858,000 in aggregate less the accumulated losses as at 31 December 2021 of approximately HK\$803,307,000. Under the Companies Law, Cap. 22 (as amended) of the Cayman Islands, the share premium account and capital reserve of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account and capital reserve may also be distributed in the form of fully paid bonus shares.

### DONATIONS

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

### MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2021, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

### DIRECTORS

The Directors of the Company during the year were and up to the date of this annual report were:

Executive Directors:

Mr. Hu Bo

Mr. Li Zhongqi

Ms. Lin Mei Sze (appointed on 13 July 2021)

Independent Non-executive Directors:

Mr. Chan Chi Hung

Mr. Tou Kin Chuen

Mr. Choi Kam Yan, Simon

## Report of the Directors

Pursuant to Articles 84(1) and 84(2) of the Articles of Association, Mr. Li Zhongqi and Mr. Chan Chi Hung shall retire by rotation from office at the forthcoming annual general meeting. Each of Mr. Li Zhongqi and Mr. Chan Chi Hung, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Pursuant to Articles 83(3) of the Articles of Association, Ms. Lin Mei Sze shall retire from office at the Annual General Meeting. Ms. Lin Mei Sze, being eligible, will offer herself for re-election at the Annual General Meeting.

The directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report were:

Ms. Wang Xiaomei	Mr. Yiu Kwan Wai	Mr. Hu Bo
Ms. Lou Sun Yee, Barbara	Ms. Zhang Qin	Mr. Hau Wing Shing, Vincent
Mr. Yiu Kwan Tat		

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-executive Directors an annual confirmation of their independence from the Group. Based on the confirmations, the Company considers that each of such Directors to be independent from the Group.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 13 and 14 of this annual report.

### DIRECTORS' SERVICE CONTRACTS

Mr. Hu Bo an Executive Directors, has renewed a letter of appointment and is appointed for an initial term of 1 year commencing on 6 June 2021, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

Ms. Lin Mei Sze, an Executive Director and Chairman, has entered into a letter of appointment and is appointed for an initial term of 1 year commencing on 13 July 2021, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

Mr. Choi Kam Yan, Simon, an Independent Non-executive Directors, has renewed a letter of appointment and is appointed for an initial term of 1 year commencing on 1 February 2021.

Each of Mr. Chan Chi Hung and Mr. Tou Kin Chuen, both Independent Non-executive Directors, has renewed a service contract with the Company for another term of 1 year commencing on 22 July 2021, which may be terminated by not less than 1 month's notice in writing served by either party on the other.

## Report of the Directors

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

Directors are subject to retirement by rotation at least once every three years as required by the Articles of Association.

### **DIRECTORS' REMUNERATION**

The Directors' ordinary remuneration shall be subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' contributions, experience, relevant duties, responsibilities and performance and the results of the Group.

### **DIRECTORS' INTERESTS IN CONTRACTS**

Apart from the transactions disclosed in note 34 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year ended 31 December 2021.

### **MANAGEMENT CONTRACTS**

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2021.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 31 December 2021, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)(the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange.

## Report of the Directors

## Long positions in share options of the Company

Name of participants	Number of share options			Approximate percentage of total number of issued shares
	Personal Interest	Family Interest	Total	
<b>Executive Directors</b>				
Mr. Hu Bo	4,387,782	–	4,387,782	0.62%
Mr. Li Zhongqi	2,212,382	–	2,212,382	0.31%

*Note:* The allotment and issue of the Rights Shares pursuant to the Rights Issue was effective on 1 December 2020. The corresponding share option was adjusted.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

## SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 28 April 2011 (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

The Directors shall be entitled at any time within 10 years commencing on 28 April 2011 to make an offer for the grant of a share option.

During the year ended 31 December 2021, no share options were granted by the Company under the scheme, no share options were lapsed and no share option were exercised. The outstanding number of the shares available for issue under the Scheme is 44,212,068, representing approximately 6.2% of the issued share capital of the Company as at 28 March 2021 (i.e. 711,928,875 shares).

The movements in share options granted under the Scheme during the year ended 31 December 2021 are shown below:

Name or category of participants	Number of share options							Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2021	Granted during the year	Exercised during the year (Note)	Expired during the year	Reclassified during the year	Lapsed during the year	At 31 December 2021			
Director										
Hu Bo	2,175,400	–	–	–	–	–	2,175,400	12-4-19	12-4-19 to 11-4-22	0.434
Li Zhongqi	2,212,382	–	–	–	–	–	2,212,382	17-4-20	17-4-20 to 16-4-22	0.101
Other employees										
In aggregate	19,911,980	–	–	–	–	–	19,911,980	12-4-19	12-4-19 to 11-4-22	0.434
	17,699,924	–	–	–	–	–	17,699,924	17-4-20	17-4-20 to 16-4-22	0.101
	44,212,068	–	–	–	–	–	44,212,068			

## Report of the Directors

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e., 12 April 2019 and 17 April 2020, were HK\$0.439 per share and HK\$0.084 respectively.

The Directors have estimated the values of the share options granted on 12 April 2019 and 17 April 2020, calculated using the binomial model as at the date of grant of the share options:

	Number of share options held during the year	Theoretical value of share options
		HK\$'000
Director and other employees	44,212,068	5,658

The binomial model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options included risk-free interest rate, expected life, expected volatility and expected dividend yield. The measurement dates used in the valuation calculations were the dates on which the options were granted. For the details of the assumptions, please refer to note 32 to the consolidated financial statements.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

### CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2021, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

## Report of the Directors

## CONNECTED TRANSACTIONS

Financing arrangement	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities (notes i, ii)	1,781	1,781	101	111

## Notes:

- (i) Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), a director of a subsidiary entered into a lease agreement in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses.
- (ii) The Group entered into a lease in respect of the same leasehold properties commencing from 17 June 2021 to 16 June 2022 for retail use. The amount of lease payable by the Group under the lease is HK\$360,000 per month, which was determined with reference to market rent. The total consideration payable to Excel Trend is HK\$4,320,000. At the date of the lease, the Group recognised a right-of-use asset and a lease liability of HK\$4,219,000.

During the years ended 31 December 2021 and 2020, the Company and the Group had the above connected transactions, certain details of which are disclosed in compliance with the requirements of HKFRS 16 and Chapter 14A of Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

## RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 34 to the consolidated financial statements and include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this annual report.

## DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

## CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2021, save for certain derivations. The Corporate Governance Report is set out on pages 15 to 25 of this annual report.

## Report of the Directors

### LITIGATION

In September 2020, Milan Station Properties Holdings Limited (“MS Properties”), an indirectly wholly-owned subsidiary of the Company is entitled to the claims by Apex City Enterprises Limited (“the Plaintiff”) for the guaranteed payment of rent of the lease, amounting to a total claim of approximately HKD1.7 million. On 23 December 2020, a winding-up petition has been filed by the Plaintiff that MS Properties may be wound up by the High Court under Companies (Winding-up) Proceedings No. 385 of 2020. After an amicable negotiation with the Petitioner, on 29 January 2021, MS Properties had paid an agreed amount of HK\$1,300,000 in full and final settlement of all matters of the Petition and the related High Court proceedings. MS Properties and the Petitioner have signed a Consent Summons, pursuant to which the Petitioner agreed to withdraw the Petition. In February 2021, the order of high court was granted, inter alia, that the Petition be withdrawn.

Save as disclosed above, there is no occurrence of events that had a significant impact on the Group’s operation, financial and trading prospects since 31 December 2021 and up to the date of this result announcement which the Board is aware of.

### ENVIRONMENTAL POLICIES AND SOCIAL RESPONSIBILITIES

In 2021, the Group has actively responded to the general direction of social development, strived to meet the demands of environmental and social responsibility, strengthened our group’s and employees’ awareness of the environment and society, and actively participated in environmental and social issues. To better protect natural resources, we have taken various measures to save energy, reduce waste and consumption, and promote the use of environmentally friendly products in our daily business operations. In terms of social issues, the Group attaches great importance to the cultivation of knowledge and talent in order to establish a safe and honest working environment that bears social responsibilities to our employees. Meanwhile, we would like to share our ideas and concepts with our stakeholders. Through these practices, the Group has achieved encouraging results regarding environmental and social aspects.

Detail information regarding the environmental, social and governance practices adopted by the Group is set out in the Environmental, Social and Governance Report which will be disclosed as a separate report and published on the websites of the Stock Exchange and the Company within the period as required by the Listing Rules.

### RELATIONSHIPS WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are values at all times. The Group regularly reviews compensation and benefits policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits, mandatory provident fund and share options are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

### RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Directors believe that maintaining good relationships with customers has been one of the critical reasons for the Group’s success. Our business model is to maintain and build on our strong relationships within our client base. Our mission is to provide the finest service to our customers and the Group is constantly looking ways to improve customer relations through enhanced services. Regarding the retail businesses, the Group has no major suppliers.

## Report of the Directors

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include strategic, operational and financial risks.

#### Strategic risks

The Directors maintain a strategic plan based on the knowledge to the external environments. The Group will invest in projects and investments based on the strategic plan in order to cope with the market demand and expectation. Given the rapid change of unforeseeable external environments in the financial and equity markets, the Group is facing significant strategic risks on its investments when changing the strategic plans to adopt the unexpected changes of external environments.

#### Operational risks

Management regularly reviews the Group's operations to ensure that the Group's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

#### Financial risks

The principal financial risks are set out in note 36 to the consolidated financial statements headed "FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES".

### DIVIDEND POLICY

The Company has adopted a dividend policy pursuant to which the Company may declare and distribute dividends to the shareholders of the Company.

The recommendation of the payment of any dividend is subject to the absolute discretion of the Board, and any declaration of final dividend will be subject to the approval of the shareholders. In proposing any dividend payout, the Board shall also take into account, inter alia, the Group's operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors it may deem relevant at such time. Any payment of the dividend by the Company is also subject to any restrictions under the articles of association of the Company and all applicable laws and regulations.

The dividend policy will be reviewed from time to time and there is no assurance that a dividend will be proposed or declared in any specific periods.

### EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "Share Options" on pages 31 to 32 of this report, the Company has not entered into any equity-linked agreements during the year.

## Report of the Directors

### PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, the Directors, secretary and every auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties, or supposed duty, in their respective offices or otherwise in relation thereto.

The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

### COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

### AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2021 and discussed with the management of the Company on auditing, internal control, financial reporting matters as well as risk management function. Information on the composition of the Audit Committee is set out in the Corporate Governance Report on pages 15 to 25 of this annual report.

### AUDITORS

Crowe Horwath (HK) CPA Limited resigned as auditors of the Company with effect from 5 December 2016 and HLB Hodgson Impey Cheng Limited was appointed on 15 December 2016 as the new auditors to fill the cause vacancy. HLB Hodgson Impey Cheng Limited resigned as the auditor of the Company with effect from 18 January 2022 because, as part of their normal procedures including an annual consideration of whether they would wish to continue to act for their audit clients, having taken into account the level of audit fees and their available internal resources in light of their current work flows in respect of the professional risk associated with the audit, they decided to tender their resignation as the auditor of the Company. The Board has resolved that, with the recommendation of the audit committee of the Board, to appoint McMillan Woods (Hong Kong) CPA Limited as the new auditor of the Company with effect from 18 January 2022 to fill the causal vacancy left by the resignation of HLB Hodgson Impey Cheng Limited.

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

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

Hong Kong, 28 March 2022

## Independent Auditor's Report



**To the Shareholders of Milan Station Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*

### Opinion

We have audited the consolidated financial statements of Milan Station Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 42 to 111, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Independent Auditor's Report

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion in these matters. The key audit matters we identified are:

- (1) Allowance for expected credit losses ("ECLs") of loan receivables; and
- (2) Valuation of inventories

#### Key audit matter

#### How our audit addressed the key audit matter

#### Allowance for ECLs of loan receivables

Refer to notes 4, 5 and 36 to the consolidated financial statements.

As at 31 December 2021, the Group's loan receivables amounted to approximately HK\$13,322,000 and the allowance for ECLs of loan receivables of approximately HK\$246,000 was recognised in the Group's consolidated statement of financial position.

The allowance for ECLs of loan receivables represents the management's best estimates of ECLs at the end of the reporting period under Hong Kong Financial Reporting Standard 9: Financial Instruments ECLs models.

Management assesses whether the credit risk of loan receivables have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECLs. The measurement models of ECLs involves significant management judgments and assumptions, primarily including the following:

- Selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default;
- Criteria for determining whether or not there was a significant increase in credit risk or a default; and
- Economic indicator for forward-looking measurement, and the application of economic scenarios and weightings.

We focus on this area due to the significant estimates and judgement involved in determining the allowance for ECLs of loan receivables.

Our audit procedures in relation to management's assessment on the allowance for ECLs of loan receivables included:

- understanding of the key control procedures performed by management, including its procedures on periodic review on overdue loan receivables and the assessment of allowance for ECLs of loan receivables;
- understanding and evaluating the modelling methodologies for ECLs measurement, assessed the reasonableness of the model selection and key measurement parameters determination;
- for the historical information, discussing with management to obtain understanding of the management's identification of significant increase in credit risk, defaults and credit-impaired loans, corroborated management's explanation with supporting evidence;
- for forward-looking measurement, assessing the reasonableness of economic indicator selection, economic scenarios and weightings application, as well as the reasonableness of the estimation by comparing with industry data; and
- checking major data inputs used in the ECLs models on sample basis to the Group's record.

## Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
<p><b>Valuation of inventories</b></p> <p>Refer to note 4, 5 and 22 to the consolidated financial statements.</p> <p>Inventories are carried at the lower of cost and net realisable value in the consolidated financial statements. The carrying value of inventories at 31 December 2021 was approximately HK\$49,758,000 which accounted for approximately 29% of the Group's total assets.</p> <p>The Group's inventories comprise handbags, skincare products and other related products which future saleability of inventories is subject to changing consumer preferences and fashion trends. Allowance for inventories is based on management's estimate of the expected magnitude of write down of the Group's inventories to its net realisable value which involve the exercise of a significant degree of management judgement.</p> <p>We identified assessing the valuation of inventories as a key audit matter because of its significance of carrying amount to the consolidated financial statements and the significant judgements and estimates involved in determining the level of any provisions required at the end of the reporting period.</p>	<p>Our procedures in relation to this matter included:</p> <ul style="list-style-type: none"> <li>- Understanding the Group's internal control policy over allowance for inventories with reference to the requirements of the prevailing accounting standards;</li> <li>- Identifying and assessing slow-moving and obsolete inventories when attending physical inventory count;</li> <li>- Comparing inventory ageing on a sample basis with respective balances in prior years to identify inventories which are relatively slow moving;</li> <li>- Checking against latest sales invoices, subsequent to the reporting date on sample basis for their net realisable value estimation;</li> <li>- Evaluating the historical accuracy of the allowance of inventories estimation by management; and</li> <li>- Challenging the appropriateness and reasonableness of the management's assumption by performing a sensitivity analysis on possible future sales.</li> </ul>

### Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2021.

### Other Information

The directors are responsible for the Other Information. The Other Information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon (the "Other Information").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

## Independent Auditor's Report

### Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

## Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **McMillan Woods (Hong Kong) CPA Limited**

*Certified Public Accountants*

#### **Lo Ka Ki**

*Audit Engagement Director*

Practising Certificate Number: P06633

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

Hong Kong, 28 March 2022

## Consolidated Statement of Profit or Loss and Other Comprehensive income

Year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>REVENUE</b>	7	<b>245,018</b>	175,973
Cost of sales		<b>(174,095)</b>	(133,513)
Gross profit		<b>70,923</b>	42,460
(Provision for)/reversal of allowance for expected credit losses ("ECLs")		<b>(93)</b>	20
Other income and gains	8	<b>23,473</b>	8,719
Selling expenses		<b>(51,139)</b>	(32,460)
Administrative and other operating expenses		<b>(19,867)</b>	(20,963)
Finance costs	9	<b>(1,002)</b>	(773)
<b>PROFIT/(LOSS) BEFORE TAX</b>	10	<b>22,295</b>	(2,997)
Income tax expense	13	<b>(140)</b>	(158)
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>22,155</b>	(3,155)
<b>OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX:</b>			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		<b>(6)</b>	14
Other comprehensive (loss)/income for the year		<b>(6)</b>	14
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>22,149</b>	(3,141)
Profit/(loss) for the year attributable to:			
Owners of the Company		<b>20,530</b>	(3,108)
Non-controlling interests		<b>1,625</b>	(47)
		<b>22,155</b>	(3,155)
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		<b>20,524</b>	(3,094)
Non-controlling interests		<b>1,625</b>	(47)
		<b>22,149</b>	(3,141)
<b>EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
– Basic and diluted (HK cent)	15	<b>HK2.88 cent</b>	HK(1.19 cent)

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Financial Position

31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	9,905	4,441
Intangible assets	17	–	–
Right-of-use assets	18	17,655	21,077
Deposits	21	2,563	2,981
Total non-current assets		30,123	28,499
<b>CURRENT ASSETS</b>			
Inventories	22	49,758	37,822
Trade receivables	23	4,782	2,773
Loan receivables	24	13,076	12,927
Prepayments, deposits and other receivables	21	10,395	4,181
Financial assets at fair value through profit or loss	20	36,162	12,191
Current tax assets		96	–
Cash and cash equivalents	25	28,552	67,576
Total current assets		142,821	137,470
<b>CURRENT LIABILITIES</b>			
Trade and other payables	26	16,674	29,442
Contract liabilities	27	2,299	547
Lease liabilities	28	12,268	11,212
Provisions	29	–	1,360
Current tax liabilities		541	442
Total current liabilities		31,782	43,003
<b>NET CURRENT ASSETS</b>		<b>111,039</b>	<b>94,467</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>141,162</b>	<b>122,966</b>
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities	28	6,207	10,220
Provisions	29	252	192
Total non-current liabilities		6,459	10,412
<b>NET ASSETS</b>		<b>134,703</b>	<b>112,554</b>
<b>EQUITY</b>			
Issued capital	31	28,477	28,477
Reserves		105,349	84,825
<b>Equity attributable to owners of the Company</b>		<b>133,826</b>	<b>113,302</b>
Non-controlling interests		877	(748)
<b>TOTAL EQUITY</b>		<b>134,703</b>	<b>112,554</b>

Approved and authorised for issue by the board of directors on 28 March 2022 and signed on its behalf by:

Hu Bo  
Director

Li Zhongqi  
Director

The accompanying notes form part of these consolidated financial statements.

## Consolidated Statement of Changes In Equity

Year ended 31 December 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000 <i>(note 33)</i>	HK\$'000 <i>(note 33)</i>	HK\$'000 <i>(note 33)</i>	HK\$'000	HK\$'000 <i>(note 33)</i>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	8,136	218,508	10	(23,782)	30	488	10,780	(152,727)	61,443	(701)	60,742
Loss and total comprehensive loss for the year	-	-	-	-	-	14	-	(3,108)	(3,094)	(47)	(3,141)
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(6,385)	6,385	-	-	-
Equity-settled share-based payment	-	-	-	-	-	-	1,263	-	1,263	-	1,263
Issue of shares upon rights issue	20,341	35,596	-	-	-	-	-	-	55,937	-	55,937
Cost of shares issue under right issue	-	(2,247)	-	-	-	-	-	-	(2,247)	-	(2,247)
At 31 December 2020 and 1 January 2021	28,477	251,857	10	(23,782)	30	502	5,658	(149,450)	113,302	(748)	112,554
Profit and total comprehensive income for the year	-	-	-	-	-	(6)	-	20,530	20,524	1,625	22,149
At 31 December 2021	28,477	251,857	10	(23,782)	30	496	5,658	(128,920)	133,826	877	134,703

These reserve accounts comprise the consolidated reserves of HK\$105,349,000 (2020: HK\$84,825,000) in the consolidated statement of financial position.

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		22,295	(2,997)
Adjustments for:			
Bank interest income	8	(11)	(14)
Gain on disposals of property, plant and equipment	8	(2,900)	–
Gain on disposals of right-of-use assets	8	–	(326)
Gain on termination of right-of-use assets	8	(18)	–
Covid-19-related rent concessions	8	(373)	(409)
Depreciation of property, plant and equipment	10	2,988	2,061
Depreciation of right-of-use assets	10	16,193	15,284
Provision for/(reversal of) allowance for ECLs	10	93	(20)
Fair value gain on financial assets at fair value through profit or loss	8	(14,161)	(1,890)
Gain on disposal of financial assets at fair value through profit or loss	8	(3,180)	–
Equity-settled share-based payment		–	1,263
Finance costs	9	1,002	773
Operating cash flows before movements in working capital		21,928	13,725

## Consolidated Statement of Cash Flows

Year ended 31 December 2021

		2021	2020
	Notes	HK\$'000	HK\$'000
(Increase)/decrease in inventories		(11,936)	3,210
(Increase)/decrease in trade receivables		(2,009)	1,110
Increase in loan receivables		(253)	(400)
Increase in prepayments, deposits and other receivables		(5,785)	(719)
Increase in financial assets at fair value through profit or loss		(6,630)	(1,051)
(Decrease)/increase in trade and other payables		(12,768)	6,610
Increase in contract liabilities		1,752	547
(Decrease)/increase in provisions		(1,300)	1,347
Cash (used in)/generated from operations		(17,001)	24,379
Hong Kong profits tax paid		(137)	(294)
Net cash (used in)/generated from operating activities		(17,138)	24,085
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Bank interest received		11	14
Purchases of items of property, plant and equipment		(8,452)	(2,876)
Proceeds from disposals of property, plant and equipment		2,900	–
Proceeds from disposal of right-of-use assets		–	156
Initial payment of acquiring right-of-use asset		(174)	(60)
Net cash used in investing activities		(5,715)	(2,766)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Issue of shares upon rights issue, net of issue expense		–	53,690
Interest paid		(4)	–
Interest elements on lease liabilities	37	(998)	(773)
Capital elements on lease liabilities	37	(15,163)	(15,091)
Net cash (used in)/generated from financing activities		(16,165)	37,826
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>			
		(39,018)	59,145
Cash and cash equivalents at the beginning of the year		67,576	8,417
Effect of foreign exchange rate changes, net		(6)	14
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	25	<b>28,552</b>	<b>67,576</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 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,                      – Interest Rate Benchmark Reform – Phase 2  
HKFRS 4 and HKFRS 16

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19-Related Rent Concession beyond 30 June 2021.

The application of the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs *(continued)*

#### 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.

	<b>Effective for financial year beginning on or after</b>
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.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

#### (a) Consolidation

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

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

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

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

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

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

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

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

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).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (b) Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

#### (c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### (d) Business Combinations or Asset Acquisitions

##### *Optional concentration test*

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (d) Business Combinations or Asset Acquisitions *(continued)*

##### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

##### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (e) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

### (f) Foreign currency translation

#### *(i) Functional and presentation currency*

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

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

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

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (f) Foreign currency translation *(continued)*

##### (iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the Exchange fluctuation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### (g) Property, plant and equipment and depreciation

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of items of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20% – 33%
Motor Vehicles	30%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (g) Property, plant and equipment and depreciation *(continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

#### *Impairment of non-financial assets*

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (h) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

#### (i) *The Group as a lessee*

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (h) Leases *(continued)*

#### (i) *The Group as a lessee (continued)*

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

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

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

### (i) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

### (j) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (j) Recognition and derecognition of financial instruments *(continued)*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### (k) Financial assets

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

##### *Debt investments*

Debt investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.
- fair value through other comprehensive income (“**FVTOCI**”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. – FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.
- FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (k) Financial assets *(continued)*

#### *Equity investments*

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

### (l) Trade and other receivables

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

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

### (m) Cash and cash equivalents

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

### (n) Financial liabilities and equity instruments

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

### (o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (p) Trade and other payables

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

#### (q) Equity instruments

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

#### (r) Revenue recognition

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

A contract asset represents the Group’s right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (r) Revenue recognition *(continued)*

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Sale of goods*

Revenue from sales of handbags, natural aroma, skincare products and accessories are recognised when control of the products has transferred, being when the products are delivered and the customers have inspected and accepted the products.

Payment of the transaction price is due immediately when the customers purchase the goods and takes delivery in store.

### (s) Employee benefits

#### *Employee leave entitlements*

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

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

#### *Pension scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when it made contribution to the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in future years.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (s) Employee benefits *(continued)*

##### *Pension scheme (continued)*

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central social security schemes.

The employees of the Group's subsidiary which operates in Singapore are required to participate in a central provident fund operated by the local government. The subsidiary operating in Singapore is required to make contributions for its employees who are registered as residents to the central provident fund. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central provident fund.

#### (t) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the consolidated financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

### (t) Share-based payments *(continued)*

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

### (u) Government grants

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

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### (v) Taxation

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (v) Taxation *(continued)*

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (w) Impairment of financial assets

The Group performs impairment assessment under expected credit losses (“ECL”) model on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits and other receivables, loan receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting period. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (w) Impairment of financial assets *(continued)*

##### *Significant increase in credit risk (continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

- (i) the financial instrument has a low risk of default,
- (ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (w) Impairment of financial assets *(continued)*

##### *Significant increase in credit risk (continued)*

###### *Definition of default*

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

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

###### *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

###### *Write-off policy*

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

#### (w) Impairment of financial assets *(continued)*

##### *Significant increase in credit risk (continued)*

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

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

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

#### (x) Provisions and contingent liabilities

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

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

#### (y) Events after the reporting period

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES

#### Critical judgements in applying accounting policies

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

*(a) Significant increase in credit risk*

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

#### Key sources of estimation uncertainty

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

*(b) Provision for obsolete and slow-moving inventories*

At the end of the reporting period, the management assessed the provision of estimation for obsolete and slow-moving inventories due to a change in products sold in recent years and the latest experience of selling merchandise of similar nature. No inventory provision was provided during the year ended 31 December 2021 and 2020. The Group makes provision for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of slow-moving stock and obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories.

As at 31 December 2021, the carrying amount of inventories is HK\$49,758,000 (2020: HK\$37,822,000).

*(c) Allowance for ECLs of trade and loan receivables*

The loss allowances for financial assets are based on assumption about risk of default and expected loss rates. The Group use judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

As at 31 December 2021, the carrying amount of trade receivables and loan receivable are HK\$4,782,000 (net of allowance for doubtful debt of HK\$Nil (2020: HK\$2,773,000 (net of allowance for doubtful debts of HK\$Nil) and HK\$13,076,000 (net of allowance for doubtful debts of HK\$246,000) (2020: HK\$12,927,000) (net of allowance for doubtful debts of HK\$142,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 6. OPERATING SEGMENT INFORMATION

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

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 7. REVENUE

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

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

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.

The accounting policies with respect to revenue recognition are disclosed in note 4 to the consolidated financial statements.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 8. OTHER INCOME AND GAINS

	2021	2020
	HK\$'000	HK\$'000
<b>Other income and gains</b>		
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
	<b>23,473</b>	<b>8,719</b>

*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.

## 9. FINANCE COSTS

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 10. PROFIT/(LOSS) BEFORE TAX

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

	2021	2020
	HK\$'000	HK\$'000
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 services	620	900
– Non-audit services	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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments is as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity- settled share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2021</b>						
Executive directors:						
Mr. Hu Bo	-	240	-	-	-	240
Mr. Li Zhongqi	-	180	-	-	-	180
Ms. Lin Mei Sze	-	234	-	9	-	243
	-	654	-	9	-	663
Independent non-executive directors:						
Mr. Choi Kam Yan, Simon	120	-	-	-	-	120
Mr. Chan Chi Hung	200	-	-	-	-	200
Mr. Tou Kin Chuen	200	-	-	-	-	200
	520	-	-	-	-	520
	520	654	-	9	-	1,183

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity- settled share-based payment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31 December 2020</b>						
Executive directors:						
Mr. Hu Bo	-	229	-	22	126	377
Mr. Li Zhongqi	-	180	-	-	126	306
	-	409	-	22	252	683
Independent non-executive directors:						
Mr. Choi Kam Yan, Simon	120	-	-	-	-	120
Mr. Chan Chi Hung	200	-	-	-	-	200
Mr. Tou Kin Chuen	200	-	-	-	-	200
	520	-	-	-	-	520
	520	409	-	22	252	1,203

During the year ended 31 December 2021, no amount (2020: Nil) was paid or payable by the Group to the directors, chief executive or any of the five highest paid individuals set out in note 12 as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments for the both years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included Nil director (2020: Nil), details of whose remuneration are set out in note 11 above. Details of the emoluments for the year of the remaining five (2020: five) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021	2020
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	4,684	3,558
Discretionary bonus	379	–
Pension scheme contributions	90	90
	<b>5,153</b>	<b>3,648</b>

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

	Number of employees	
	2021	2020
Nil to HK\$1,000,000	3	4
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	–
	<b>5</b>	<b>5</b>

During the year ended 31 December 2021, no share options were granted (2020: share options were granted to directors in respect of their services to the Group). In prior years, no share options were granted to non-director and non-chief executive highest paid employees, further details of which are included in the disclosures in note 32 to the consolidated financial statements.

### 13. 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%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**13. INCOME TAX EXPENSE** *(continued)*

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	140	99
Total tax expense for the year	<b>140</b>	<b>158</b>

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	<b>22,295</b>	(2,997)
Tax at Hong Kong Profits Tax rate of 16.5% (2020: 16.5%)	<b>3,679</b>	(508)
Under-provision in respect of prior years	<b>140</b>	99
Tax effect of income not taxable for tax purpose	<b>(3,389)</b>	(1,420)
Tax concession	–	(10)
Tax effect of expenses not deductible for tax purposes	<b>1,232</b>	543
Tax effect of tax losses not recognised	<b>1,305</b>	1,492
Tax effect of utilisation of tax losses not previously recognised	<b>(2,814)</b>	–
Effect of different tax rates of subsidiaries	<b>(13)</b>	(38)
Income tax expense	<b>140</b>	158

**14. DIVIDENDS**

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**15. 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.

**16. PROPERTY, PLANT AND EQUIPMENT**

	Leasehold improvements	Furniture, Fixtures and office equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>2020</b>				
<b>Cost</b>				
At 1 January 2020	20,851	12,578	–	33,429
Additions	2,665	211	–	2,876
Transfer from right-of-use assets	–	–	6,000	6,000
At 31 December 2020 and 1 January 2021	23,516	12,789	6,000	42,305
Additions	1,214	7,238	–	8,452
Disposals/written off	(272)	(11)	(6,000)	(6,283)
<b>At 31 December 2021</b>	<b>24,458</b>	<b>20,016</b>	<b>–</b>	<b>44,474</b>
<b>Accumulated depreciation</b>				
At 1 January 2020	17,879	11,924	–	29,803
Depreciation charge for the year	1,833	228	–	2,061
Transfer from right-of-use assets	–	–	6,000	6,000
At 31 December 2020 and 1 January 2021	19,712	12,152	6,000	37,864
Depreciation charge for the year	2,069	919	–	2,988
Disposals/written off	(272)	(11)	(6,000)	(6,283)
<b>At 31 December 2021</b>	<b>21,509</b>	<b>13,060</b>	<b>–</b>	<b>34,569</b>
<b>Carrying amount</b>				
<b>At 31 December 2021</b>	<b>2,949</b>	<b>6,956</b>	<b>–</b>	<b>9,905</b>
At 31 December 2020	3,804	637	–	4,441

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 17. INTANGIBLE ASSETS

	Goodwill	Exclusive distribution right	Total
	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,013	2,826	4,839
<b>Accumulated amortisation and impairment</b>			
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,013	2,826	4,839
<b>Carrying amount</b>			
At 31 December 2021 and 31 December 2020	–	–	–

Exclusive distribution right is calculated using the straight-line method over its useful lives of 5 years according to the contract.

The goodwill and exclusive distribution right was fully impaired in the prior years and accordingly no further impairment assessment was performed for the years ended 31 December 2021 and 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 18. RIGHT-OF-USE ASSETS

	Motor vehicle	Leased properties	Total
	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>			
At 1 January 2020	12,183	24,746	36,929
Additions ( <i>Note</i> )	–	24,968	24,968
Disposals/termination	(6,183)	(5,620)	(11,803)
Transfer to property, plant and equipment	(6,000)	–	(6,000)
At 31 December 2020 and 1 January 2021	–	44,094	44,094
Additions ( <i>Note</i> )	–	13,427	13,427
Termination	–	(5,529)	(5,529)
<b>At 31 December 2021</b>	<b>–</b>	<b>51,992</b>	<b>51,992</b>
<b>Accumulated depreciation</b>			
At 1 January 2020	9,606	10,768	20,374
Depreciation charge for the year	–	15,284	15,284
Disposals/termination	(3,606)	(3,035)	(6,641)
Transfer to property, plant and equipment	(6,000)	–	(6,000)
At 31 December 2020 and 1 January 2021	–	23,017	23,017
Depreciation charge for the year	–	16,193	16,193
Termination	–	(4,873)	(4,873)
<b>At 31 December 2021</b>	<b>–</b>	<b>34,337</b>	<b>34,337</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>–</b>	<b>17,655</b>	<b>17,655</b>
At 31 December 2020	–	21,077	21,077

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Lease liabilities of approximately HK\$18,475,000 (2020: HK\$21,432,000) are recognised with related right-of-use assets of approximately HK\$17,655,000 (2020: HK\$21,077,000) as at 31 December 2021.

	2021	2020
	HK\$'000	HK\$'000
Depreciation	16,193	15,284
Interest expense on lease liabilities (included in finance costs)	998	773
Expenses relating to short-term lease	168	567
COVID-19-related rent concessions received	373	409

During the current year, the Group leases properties for self-own use. Lease contracts are entered into for fixed term of two to five years (2020: two to five years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2021, lessors of various offices and retail stores provided Covid-19-related rent concessions to the Group of approximately HK\$373,000 (2020: HK\$409,000).

The Group leased a number of retail stores and counters which contain variable lease payment terms that are based on sales generated from the retail stores and counters and minimum annual lease payment terms that are fixed. These payment terms are common in retail stores and counters in Hong Kong where the Group operates. The amount of fixed and variable lease payments recognised for the year is summarised below:

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

  

	2020			
	Fixed payments	Variable payments	COVID-19 -related rent concessions	Total payments
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Retails stores, counters and offices – Hong Kong	16,827	1,621	(409)	18,039

At 31 December 2021, it is estimated that an increase in sales generated from these retail stores and counters by 5% would have increased the lease payments by approximately HK\$229,000 (2020: approximately HK\$101,000).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 19. SUBSIDIARIES

Particulars of the principal subsidiaries as at 31 December 2021 and 2020 are as follows:

Name	Place of Incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities		
			Percentage of equity attributable to the Company		Principal activities		
			Direct 2021	2020	Indirect 2021	2020	Principal activities
Milan Station (BVI) Limited ("MS (BVI)")	British Virgin Islands ("BVI")/ Hong Kong	US\$4	100	100	-	-	Investment holding
Milan Station (Hong Kong) Limited ("MS (HK)")	Hong Kong	HK\$10,000	-	-	100	100	Investment holding
Milan Station (Tsuen Wan) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (TST) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Fashion (TST) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Causeway Bay) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Trading Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing and trading of handbags, fashion accessories and embellishments operation

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 19. SUBSIDIARIES (continued)

Name	Place of Incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	2021	2020	
Milan Station (Central) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Trilink Global Limited	BVI/Hong Kong	US\$1	-	-	100	100	Investment holding
Milan Station (Asia) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Macau) Limited ("MS (Macau)")	Macau	MOP30,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (PRC) Limited	BVI/Hong Kong	US\$2	-	-	100	100	Investment holding
Milan Station (PRC) Limited ("MS (PRC)")	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Kwun Tong) Limited	Hong Kong	HK\$10,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站商業(上海)有限公司* ("MS (SH)")	The PRC/ Mainland China	RMB34,000,000	-	-	100	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Standpoint Global Limited ("Standpoint Global")	BVI/Hong Kong	US\$1	-	-	100	100	Investment holding

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 19. SUBSIDIARIES (continued)

Name	Place of Incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2021	2020	2021	2020	
WLS Limited	Hong Kong	HK\$40,000	-	-	51	51	Engaged in retailing of spa and wellness products
Brenda Enterprises Limited	Hong Kong	HK\$2	-	-	100	100	Engaged in money lending business
Wales Maple Limited	BVI	US\$1	-	-	100	100	Engaged in trading securities

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

### 20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	2020
	HK\$'000	HK\$'000
Listed securities		
– Equity securities listed in Hong Kong	36,162	12,191

Financial assets at fair value through profit or loss are stated at fair value which are determined with reference to quoted market bid prices.

At 31 December 2021, there were no suspended trading security listed in Hong Kong included in above balance. As at 31 December 2020, out of the above balance, the fair value of suspended trading security listed in Hong Kong with the amount of approximately HK\$176,000 was determined reference to the valuation carried by Peak Vision Appraisals Limited, an independent qualified professional valuers. The fair value of that suspended trading security listed in Hong Kong was valued by using the market approach at 31 December 2020. The discount rate is used to reflect the risk of exposure to corporate governance, illiquidity and financial distress etc.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	2021	2020
	HK\$'000	HK\$'000
Prepayments	1,370	699
Deposits	10,606	5,477
Other receivables	982	986
	<b>12,958</b>	7,162
Less: Non-current portion	<b>(2,563)</b>	(2,981)
	<b>10,395</b>	4,181

The financial assets included in above balances are non-interest bearing and unsecured that relate to receivables for which there was no recent history of default.

The details of the ECLs assessment are set out in note 36 to the Consolidated financial statements.

**22. INVENTORIES**

	2021	2020
	HK\$'000	HK\$'000
Merchandise held for resale	<b>49,758</b>	37,822

As at 31 December 2021, the carrying values of inventories of approximately HK\$49,758,000 (2020: HK\$37,822,000), which are net of provision for obsolete and slow-moving inventories of Nil (2020: Nil) and were stated at cost.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 23. 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	2020
	HK\$'000	HK\$'000
Trade receivables	<b>4,782</b>	2,773

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

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

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**24. 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	2020
	HK\$'000	HK\$'000
6 months to 1 year	<b>13,076</b>	12,927

The details of the ECL assessment on loan receivables are set out in note 36 in the financial statements.

**25. CASH AND CASH EQUIVALENTS**

	2021	2020
	HK\$'000	HK\$'000
Cash and bank balances	<b>28,552</b>	67,576

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$379,000 (2020: HK\$527,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates which expose the Group to cash flow interest rate risk. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances are deposited with creditworthy banks with no recent history of default.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 26. TRADE AND OTHER PAYABLES

	2021	2020
	HK\$'000	HK\$'000
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
	<b>16,674</b>	<b>29,442</b>

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

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

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

## 27. CONTRACT LIABILITIES

	HK\$'000
At 1 January 2020	–
Increase in contract liabilities as a result of consideration received from customers during the year	547
At 31 December 2020 and 1 January 2021	547
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the period	(547)
Increase in contract liabilities as a result of consideration received from customers during the year	2,299
At 31 December 2021	<b>2,299</b>

Contract liabilities for retailing of handbags, fashion accessories, embellishments and spa and wellness products have increased by approximately 320% to approximately HK\$2,299,000 (2020: approximately HK\$547,000), which was mainly due to the negotiation of larger prepayments from customers.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**27. CONTRACT LIABILITIES** *(continued)*

The contract liabilities represent the Group's obligation to transfer goods for which the Group has received consideration. The contract liabilities would be recognised as revenue within one year. The Group recognises revenue when "control" of goods is transferred to the customers.

In general, the Group receives certain percentage of the contract sum as advance payment from the customers for the sale of goods.

**28. LEASE LIABILITIES**

At 31 December 2021 and 2020, the total future minimum lease payments and their present values were as follows:

	Minimum lease payments 2021	Minimum lease payments 2020	Present value of minimum lease payments 2021	Present value of minimum lease payments 2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	12,800	11,875	12,268	11,212
In the second year	5,320	6,988	5,190	6,709
In the third to fifth years, inclusive	1,062	3,561	1,017	3,511
Total minimum lease payments	<b>19,182</b>	22,424	<b>18,475</b>	21,432
Future finance charges	(707)	(992)		
Total lease liabilities	<b>18,475</b>	21,432		
Portion classified as current liabilities	<b>(12,268)</b>	(11,212)		
Non-current portion	<b>6,207</b>	10,220		

The Group entered into lease arrangements with independent third parties in relation to certain properties and motor vehicles. The lease terms ranged from 2-5 years (2020: 2-5 years). The weighted average incremental borrowing rates applied to lease liabilities range from 3.38% to 7.75% and 3.38% to 7.75% per annum as at 31 December 2021 and 2020, respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 29. PROVISIONS

	2021	2020
	HK\$'000	HK\$'000
Analysed for reporting purposes as:		
Non-current liabilities	252	192
Current liabilities	–	1,360
	<b>252</b>	<b>1,552</b>

  

	Litigation	Provision for reinstatement costs	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	–	55	55
Provision made during the year	1,300	197	1,497
At 31 December 2020 and 1 January 2021	1,300	252	1,552
Amount utilised during the year	(1,300)	–	(1,300)
At 31 December 2021	–	252	252

For the details of provision for litigation, please refer to note 41 to the consolidated financial statements.

## 30. DEFERRED TAX

## Deferred tax assets not recognised

Certain subsidiaries of the Group have unused tax losses in total of approximately HK\$137,161,000 (2020: HK\$148,783,000) as at 31 December 2021 that are available for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses due to unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK\$742,000 (2020: HK\$2,674,000) from Macau and PRC operations that will expire in three years and five years respectively, from year the losses were incurred. Other tax losses may be carried forward indefinitely.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 31. SHARE CAPITAL

	Number of shares		Amount	
	2021	2020	2021	2020
	'000	'000	HK\$'000	HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each				
At 1 January	2,000,000	2,000,000	80,000	20,000
Share consolidation ( <i>Note (i)</i> )	–	(1,500,000)	–	–
Increase during the year ( <i>Note (ii)</i> )	–	1,500,000	–	60,000
At 31 December	2,000,000	2,000,000	80,000	80,000
			Number of shares in issue	Share capital
			'000	HK\$'000
Issued and fully paid:				
At 1 January 2020			813,633	8,136
Consolidation of shares ( <i>Note (i)</i> )			(610,225)	–
Issue of shares upon right issue ( <i>Note (iii)</i> )			508,521	20,341
<b>At 31 December 2020, 1 January 2021 and 31 December 2021</b>			<b>711,929</b>	<b>28,477</b>

## Notes:

- (i) On 24 March 2020, the Company completed the consolidation of shares in the issued shares of the Company whereby every four issued and unissued ordinary shares of HK\$0.01 each are consolidated into one consolidated ordinary share of HK\$0.04 each (the "Share Consolidation").
- (ii) On 27 October 2020, the authorised share capital of the Company was increased from HK\$20,000,000 divided into 500,000,000 shares to HK\$80,000,000 divided into 2,000,000,000 shares by the creation of additional 1,500,000,000 shares of par value of HK\$0.04 each.
- (iii) On 1 December 2020, the Company completed a rights issue of 508,520,625 rights shares at a subscription price of HK\$0.11 per rights share on the basis of five rights shares for every two existing ordinary shares of the Company held on 6 November 2020. The net proceeds from the rights issue, after deducting directly attributable costs were approximately HK\$53,690,000. Details of the rights issue were disclosed in the Company's circular dated 8 October 2020, prospectus dated 9 November 2020 and announcements dated 28 August 2020, 18 September 2020, 27 October 2020 and 30 November 2020.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 32. SHARE-BASED PAYMENT TRANSACTIONS

On 28 April 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, consultants, advisers and the Company's shareholders. The Scheme became effective on 23 May 2011 upon the listing of the Company's shares on the Stock Exchange. The Scheme will be in force for a period of 10 years commencing on the date on which the Scheme was adopted.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors, and shall commence at the grant date or commence after a vesting period of one year and end on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

The movements in share options granted under the Scheme during the years ended 31 December 2021 and 2020 are shown below:

Name or category of participants	Number of share options						Outstanding at 31 December 2021	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share (Note (i))
	Outstanding at 1 January 2021 (Note (i))	Granted during the year	Exercised during the year	Expired during the year	Reclassified during the year	Lapsed during the year				
<b>Directors</b>										
Hu Bo	2,175,400	-	-	-	-	-	2,175,400	12-4-19	12-4-19 to 11-4-22	0.4339
	2,212,382	-	-	-	-	-	2,212,382	17-4-20	17-4-20 to 16-4-22	0.1011
	4,387,782	-	-	-	-	-	4,387,782			
Li Zhongqi	2,212,382	-	-	-	-	-	2,212,382	17-4-20	17-4-20 to 16-4-22	0.1011
Sub total	6,600,164	-	-	-	-	-	6,600,164			
<b>Other employees</b>										
In aggregate	19,911,980	-	-	-	-	-	19,911,980	12-4-19	12-4-19 to 11-4-22	0.4339
	17,699,924	-	-	-	-	-	17,699,924	17-4-20	17-4-20 to 16-4-22	0.1011
Sub total	37,611,904	-	-	-	-	-	37,611,904			
	44,212,068	-	-	-	-	-	44,212,068			
Exercisable at the end of the year							44,212,068			
Weighted average exercise price (HK\$)	0.575						0.267			

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 32. SHARE-BASED PAYMENT TRANSACTIONS (continued)

Name or category of participants	Number of share options							Adjustments due to rights issue during the year	Outstanding at 31 December 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share	Adjusted exercise price of share options HK\$ per share (Note (ii))
	Outstanding at 1 January 2020 (Note (i))	Granted during the year	Exercised during the year	Expired during the year	Reclassified during the year	Lapsed during the year							
<b>Directors</b>													
Hu Bo	2,000,000	-	-	-	-	-	175,400	2,175,400	12-4-19	12-4-19 to 11-4-22	0.472	0.4339	
	-	2,034,000	-	-	-	-	178,382	2,212,382	17-4-20	17-4-20 to 16-4-22	0.11	0.1011	
	2,000,000	2,034,000	-	-	-	-	353,782	4,387,782					
Li Zhongqi	-	2,034,000	-	-	-	-	178,382	2,212,382	17-4-20	17-4-20 to 16-4-22	0.11	0.1011	
Sub total	2,000,000	4,068,000	-	-	-	-	532,164	6,600,164					
<b>Other employees</b>													
In aggregate	16,855,000	-	-	-	-	(16,855,000)	-	-	27-7-17	27-7-17 to 26-7-22	0.7	-	
	18,306,500	-	-	-	-	-	1,605,480	19,911,980	12-4-19	12-4-19 to 11-4-22	0.472	0.4339	
	-	16,272,800	-	-	-	-	1,427,124	17,699,924	17-4-20	17-4-20 to 16-4-22	0.11	0.1011	
Sub total	35,161,500	16,272,800	-	-	-	(16,855,000)	3,032,604	37,611,904					
	37,161,500	20,340,800	-	-	-	(16,855,000)	3,564,768	44,212,068					
Exercisable at the end of the year								44,212,068					
Weighted average exercise price (HK\$)	0.575	0.11					0.7	0.267					

The options outstanding at 31 December 2021 had exercise prices of HK\$0.1011 or HK\$0.4339 (2020: HK\$0.1011 or HK\$0.4339) and a weighted average remaining contractual life of 0.28 years (2020: 1.28 years).

## Notes:

- (i) Adjustment are made for share consolidation.  
(ii) Adjustment are made for rights issue.

As a result of the right issue on 2 December 2020, the exercise price of the share option which granted on 12 April 2019 and 17 April 2020 was adjusted from HK\$0.472 to HK\$0.4339 and HK\$0.11 to HK\$0.1011 respectively.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

2021	Exercise price	Exercise period
Number of options	HK\$ per share	
'000	HK\$ per share	
22,087	0.4339	12 April 2019 to 11 April 2022
22,125	0.1011	17 April 2020 to 16 April 2022
<b>44,212</b>		

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

	17 April 2020	12 April 2019
Dividend yield (%)	0	0
Expected volatility (%)	121.244	70.33
Risk-free interest rate (%)	0.529	1.566
Expected life of options (years)	2	3
Price of the Company's shares at the date of grant (HK\$ per share)	0.11	0.472

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 44,212,068 (2020: 44,212,068) share options outstanding under the Scheme.

At the date of approval of these financial statements, the Company had 44,212,068 (2020: 44,212,068) share options outstanding under the Scheme, which represented approximately 6.21% (2020: 6.21%) of the Company's shares in issue as at that date.

During the year ended 31 December 2021, there were Nil (2020: 20,340,800) share options granted and HK\$Nil (2020: HK\$1,263,000) were recognised to the consolidated statement of profit or loss.

During the year ended 31 December 2021, there were no share option (2020: 16,855,000) lapsed or cancelled.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 33. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the consolidated financial statements.

#### Capital reserve

The capital reserve capital reserve represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation on 28 April 2011 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefor.

#### Merger reserve

The merger reserve represents the excess of the consideration for acquiring subsidiaries over the nominal value of the paid-up capital of the subsidiaries acquired.

#### Statutory reserve fund

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the subsidiaries' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

#### Share option reserve

The share option reserve relates to share options granted to directors and employees under the Company's share option scheme. Further information about share option is set out in note 32.

### 34. MATERIAL RELATED PARTY TRANSACTIONS

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

Financing arrangement	Amount owed by the Group as at 31 December		Related interest expense for the year ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Lease liabilities (notes i, ii)	1,781	1,781	101	111

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**34. MATERIAL RELATED PARTY TRANSACTIONS** (continued)**(a) The Group had the following material transactions with related parties during the year:**  
(continued)

Notes:

- (i) Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), the former Chairman and an Executive Director, entered into a lease agreement in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses.
- (ii) In June 2021, the Group entered into a lease in respect of the same leasehold properties with Mr. Yiu which is connected party. The amount of lease payable by the Group under the lease is HK\$360,000 per month, which was determined with reference to market rent. At the date of the lease, the Group recognised a right-of-use asset and a lease liability of HK\$4,219,000.

During the years ended 31 December 2021 and 2020, the Company and the Group had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

**(b) Compensation of key management personnel of the Group:**

	2021	2020
	HK\$'000	HK\$'000
Short-term employee benefits	6,057	3,511
Equity-settled share-based payment	–	252
Post-employment benefits	99	94
	<b>6,156</b>	<b>3,857</b>

Further details of directors' and chief executive's emoluments are included in note 11 to the consolidated financial statements.

**(c) Directors' material interests in transactions, arrangements or contracts**

Save for disclosed in note 34(a) to the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**35. FINANCIAL INSTRUMENTS BY CATEGORY**

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**Financial assets**

	2021	2020
	HK\$'000	HK\$'000
Financial assets at FVTPL	36,162	12,191
Financial assets at amortised cost:		
Trade receivables	4,782	2,773
Loan receivables	13,076	12,927
Financial assets included in deposits and other receivables	11,588	6,463
Cash and cash equivalents	28,552	67,576
	<b>57,998</b>	<b>89,739</b>
	<b>94,160</b>	<b>101,930</b>

**Financial liabilities**

	2021	2020
	HK\$'000	HK\$'000
Financial liabilities at amortised cost:		
Trade payables	1,421	9,317
Financial liabilities included in accrued liabilities and other payables	12,753	20,125
	<b>14,174</b>	<b>29,442</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise bank balances. The Group has various other financial assets and liabilities such as financial assets at FVTPL, trade receivables, loan receivables, financial assets included in deposits and other receivables, trade payables, financial liabilities included in accrued liabilities and other payables.

It is, and has been, throughout the year, the Group's policy that trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities and loan receivables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. At 31 December 2021 and 31 December 2020, the Group has no borrowing at variable interest rate and fixed interest rate that expose the Group's cash flow interest rate risk and fair value interest rate risk.

At 31 December 2021 and 2020, the Group assesses the exposure to cash flow interest rate risk is insignificant and thus no sensitivity analysis is presented.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The directors of the Company manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated in equity securities listed in Hong Kong industry sector quoted in The Stock of Exchange of Hong Kong Limited for the year ended 31 December 2021. The directors of the Company will monitor the risks and consider hedging the risk exposure should the need arise.

#### Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of the reporting period.

If the prices had been 18% higher/lower:

- Profit or loss for the year ended 31 December 2021 would increase/decrease by HK\$5,435,000 (2020: HK\$1,832,000) as a result of change in fair value of financial assets at FVTPL.

#### Foreign currency risk

The Group carries on its trading transactions mainly in HK\$. Since HK\$ is pegged to US dollars, there is no significant exposure expected on US dollars transactions conducted by entities which functional currency is HK\$. The Company is mainly operated in its local jurisdiction with most of the transactions settled in its functional currencies of the operations and did not have significant exposure to risk resulting from changes in foreign currency exchange risk. The exposure of foreign currency risk is insignificant to the Group. Accordingly, no sensitivity analysis is presented.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the exposure to bad debts is not significant.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime ECL provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It considers available reasonable and supportive forwarding-looking information.

The Group's exposure to credit risk is influenced by the individual characteristic of each customers of retail store. The Group has worked with a large number of individual customer of retail store and there is no significant concentration of credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Quantitative information related to allowance for ECL of trade receivables was details in note 23.

#### Money lending business

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approval and other monitoring procedures to ensure that follow-up action is taken for the recoverable amount. In addition, the Group reviews the recoverable amount of each individual's loan receivables at the end of each reporting period to ensure that adequate impairment loss are made for irrecoverable amounts. As at 31 December 2021, based on past experience adjusted for factors that are specific to the general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions, the directors of the Company are of the opinion that the allowance for ECLs of approximately HK\$246,000 (2020: HK\$142,000) was recognised as at 31 December 2021.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilisation of credit limits is regularly monitored.

Quantitative information related to allowance for ECLs of loan receivables was details in note 24.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Money lending business *(continued)*

##### Loan receivables

	At 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan receivable, gross	13,069	–	–	13,069
Less: ECL on loan receivables	(142)	–	–	(142)
Loan receivables, net	12,927	–	–	12,927
	At 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan receivable, gross	13,322	–	–	13,322
Less: ECL on loan receivables	(246)	–	–	(246)
Loan receivables, net	13,076	–	–	13,076

Movement for ECL of loan receivables are as follow:

	Stage 1	Stage 2	Stage 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	148	–	–	148
Reversal of allowance for ECL	(6)	–	–	(6)
At 31 December 2020 and 1 January 2021	142	–	–	142
Allowance for ECL	104	–	–	104
At 31 December 2021	246	–	–	246

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Money lending business *(continued)*

Loan receivables are categorised into the following stages by the Group:

##### *Stage 1*

Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

##### *Stage 2*

Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non credit-impaired).

##### *Stage 3*

Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

In assessing whether the credit risk of loan receivables has increased significantly since initial recognition, the Group compares the risk of default occurring on the loan receivables assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is past due for more than 90 days. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in a loan receivables's external or internal credit rating (if available);
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group; and
- the financial asset is past due.

#### Other receivables

For other receivables and deposits, the directors of the Company make periodic individual assessment on the ECL of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Other receivables *(continued)*

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

	Other receivables
	HK\$'000
At 1 January 2020	105
Reversal of allowance for ECL	(14)
At 31 December 2020 and 1 January 2021	91
Reversal of allowance for ECL	(11)
At 31 December 2021	80

#### Bank Balances

The credit risk on bank balances are limited because the majority of the counterparties are bank with high credit-ratings assigned by International credit-ratio agencies. The Group has no other significant concentration of credit risk.

#### Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	At 31 December 2021					Carrying amount
	Weighted average effective interest rate	On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash outflows	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	-	1,421	-	-	1,421	1,421
Financial liabilities included in accrued liabilities and other payables	-	12,753	-	-	12,753	12,753
Lease liabilities	4.49%-7.75%	12,800	5,320	1,062	19,182	18,475
		26,974	5,320	1,062	33,356	32,649

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## Liquidity risk (continued)

	Weighted average effective interest rate	At 31 December 2020			Total undiscounted cash outflows	Carrying amount
		On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	-	9,317	-	-	9,317	9,317
Financial liabilities included in accrued liabilities and other payables	-	20,125	-	-	20,125	20,125
Lease liabilities	3.38%-7.75%	11,875	6,988	3,561	22,424	21,432
		41,317	6,988	3,561	51,866	50,874

## Fair value of financial instrument

The fair values of financial assets and financial liabilities are determined as follows:

- i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 December 2021 and 2020.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Fair value of financial instrument *(continued)*

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

At 31 December 2021	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	36,162	–	–	36,162
At 31 December 2020	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets at fair value through profit or loss	12,015	–	176	12,191

At 31 December 2020, one of the Group's equity securities listed in Hong Kong classified as financial asset at fair value through profit or loss was suspended in trading, therefore, no unadjusted quoted price in an active market is available. The Group's then measured fair value of suspended trading security by reference to the valuation carried by Peak Vision Appraisals Limited in which fair value was measured by using significant unobservable inputs, thus, the fair value of suspended trading security was classified to Level 3 fair value hierarchy. During the year ended 31 December 2021, the financial assets at fair value through profit or loss amounting to approximately HK\$176,000 were transferred from measurement based on Level 3 to Level 1 as a result of the listed securities were resumed in trading on 21 June 2021.

In estimating the fair value of an asset, the directors of the Company work closely with Peak Vision Appraisals Limited to establish the appropriate valuation techniques and inputs to the model as at 31 December 2020. The management reports the findings to the directors at the end of each reporting period to explain the cause of fluctuations in fair value of the asset.

Information about the valuation techniques and inputs used in determining the fair value of equity investment are disclosed below.

The Group's policy is to recognise transfer into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

## Fair value of financial instrument (continued)

The following table presents the changes in fair value of financial assets at fair value through profit or loss which are classified as Level 1 and Level 3 valuations for the year ended 31 December 2021 and 2020:

Financial assets	Fair value at 31 December		Fair value Hierarchy	Valuation technique(s) and key input(s) and sensitivity
	2021	2020		
	HK'000	HK'000		
Financial assets at fair value through profit or loss	36,162	12,015	Level 1	Quoted bid prices in active market
	–	176	Level 3	Market approach Key Inputs: Discount: N/A (2020: 2.7%) 2020: The discount is negatively correlated to the fair value measurement of suspended trading security and comparable listed companies. No sensitivity analysis is disclosed as the management considers that the exposure is insignificant to the Group.
<b>Reconciliation of Level 3 fair value measurements</b>				<b>Financial asset at fair value through profit or loss</b>
				HK\$'000
At 1 January 2020				181
Loss on fair value change on financial assets at fair value through profit or loss				(5)
At 31 December 2020 and 1 January 2021				176
Transfer out of Level 3				(176)
At 31 December 2021				–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

#### Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. As at 31 December 2021, the Group's current ratio was 4.5 (2020: 3.2).

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

### 37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Lease liabilities
	HK\$'000 <i>(note 28)</i>
At 1 January 2020	17,765
Accrued interest	773
Interest elements on lease liabilities	(773)
Additions to lease liabilities	24,466
Termination of lease liabilities	(5,299)
Covid-19 related rent concessions	(409)
Capital elements on lease liabilities	(15,091)
At 31 December 2020 and 1 January 2021	21,432
Accrued interest	998
Interest elements on lease liabilities	(998)
Additions to lease liabilities	13,253
Termination of lease liabilities	(674)
Covid-19-related rent concessions	(373)
Capital elements on lease liabilities	(15,163)
<b>At 31 December 2021</b>	<b>18,475</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

**38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY**

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021	2020
	HK\$'000	HK\$'000
<b>Non-current assets</b>		
Investments in subsidiaries	43,700	43,700
Property, plant and equipment	3,794	–
Total non-current assets	47,494	43,700
<b>Current assets</b>		
Prepayments, deposits and other receivables	265	114
Amounts due from subsidiaries	719	13,018
Cash and cash equivalents	10,478	54,888
Total current assets	11,462	68,020
<b>Current liabilities</b>		
Amounts due to subsidiaries	20,065	27,333
Accrued liabilities and other payables	1,203	1,203
Total current liabilities	21,268	28,536
<b>Net current (liabilities)/assets</b>	<b>(9,806)</b>	39,484
<b>Net assets</b>	<b>37,688</b>	83,184
<b>Equity</b>		
Issued capital	28,477	28,477
Reserves	9,211	54,707
<b>Total equity attributable to owners of the Company</b>	<b>37,688</b>	83,184

Approved and authorised for issue by the board of directors on 28 March 2022 and signed on its behalf by:

**Hu Bo**  
Director

**Li Zhongqi**  
Director

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(continued)

A summary of the Company's reserves is as follows:

	Share premium account	Capital reserve	Share option reserve	Accumulated losses	Total
	HK\$'000	HK\$'000 (Note (a))	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	218,508	555,000	10,780	(751,761)	32,527
Loss for the year and total comprehensive loss for the year	-	-	-	(12,432)	(12,432)
Transfer of share option reserve upon the lapse of share options	-	-	(6,385)	6,385	-
Equity-settled share-based payment	-	-	1,263	-	1,263
Issue of shares upon rights issue	35,596	-	-	-	35,596
Cost of shares issue upon rights issue	(2,247)	-	-	-	(2,247)
At 31 December 2020 and 1 January 2021	251,857	555,000	5,658	(757,808)	54,707
Loss for the year and total comprehensive loss for the year	-	-	-	(45,496)	(45,496)
At 31 December 2021	251,857	555,000	5,658	(803,304)	9,211

Note:

- (a) The Company's capital reserve represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation prior to the shares of the Company were listed on the Stock Exchange on 23 May 2011 (the "Listing"), over the nominal value of the Company's shares issued in exchange therefor.

### 39. EVENTS AFTER THE REPORTING PERIOD

The outburst of COVID-19 Pandemic has brought additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outbreak continues to evolve and all the industries globally are facing a challenging situation, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Group.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

### 40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2021, the equity-settled share-based payment were approximately Nil (2020: HK\$1,263,000).

During the year, the Group entered into new lease agreements for the use of leased properties for 2-3 years. On the lease commencement, the Group recognised right-of-use assets of HK\$13,427,000 and lease liabilities of HK\$13,253,000.

### 41. LITIGATION

In September 2020, MS Properties is entitled to the claims by Apex City Enterprises Limited (“the Petitioner”) for the guaranteed payment of rent of the lease, amounting to a total claim of approximately HK\$1,700,000. On 23 December 2020, a winding-up petition has been filed by the Petitioner that MS Properties may be wound up by the High Court under Companies (Winding-up) Proceedings No. 385 of 2020. After an amicable negotiation with the Petitioner, on 29 January 2021, MS Properties had paid an agreed amount of HK\$1,300,000 in full and final settlement of all matters of the Petition and the related High Court proceedings. MS Properties and the Petitioner have signed a Consent Summons, pursuant to which the Petitioner agreed to withdraw the Petition. In February 2021, the order of high court was granted, inter alia, that the Petition be withdrawn.

### 42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

## Five Years Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>RESULTS</b>					
<b>REVENUE</b>	<b>245,018</b>	175,973	231,616	264,293	318,619
Cost of sales	(174,095)	(133,513)	(183,821)	(212,654)	(253,645)
Gross profit	70,923	42,460	47,795	51,639	64,974
(Provision for)/reversal of allowance for ECLs	(93)	20	(91)	63	-
Impairment loss on intangible assets	-	-	(2,508)	-	-
Other income and gains/(losses), net	23,473	8,719	(1,789)	(8,450)	(21,687)
Selling expenses	(51,139)	(32,460)	(33,228)	(47,574)	(67,508)
Administrative and other operating expenses	(19,867)	(20,963)	(32,911)	(36,656)	(56,127)
Finance costs	(1,002)	(773)	(1,226)	(361)	(944)
PROFIT/(LOSS) BEFORE TAX	22,295	(2,997)	(23,958)	(41,339)	(81,292)
Income tax (expense)/credit	(140)	(158)	9	1,379	(144)
PROFIT/(LOSS) FOR THE YEAR	22,155	(3,155)	(23,949)	(39,960)	(81,436)
Attributable to:					
Owners of the Company	20,530	(3,108)	(23,491)	(40,012)	(80,784)
Non-controlling interests	1,625	(47)	(458)	52	(652)
	22,155	(3,155)	(23,949)	(39,960)	(81,436)

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2021	2020	2019	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	172,944	165,969	101,972	114,698	150,150
TOTAL LIABILITIES	(38,241)	(53,415)	(41,230)	(34,394)	(30,280)
Sub-total	134,703	112,554	60,742	80,304	119,870
NON-CONTROLLING INTERESTS	(877)	748	701	243	295
	133,826	113,302	61,443	80,547	120,165

Note:

The consolidated results of the Group for each of the two years ended 31 December 2021 and 2020 and the consolidated assets and liabilities of the Group as at 31 December 2021 and 2020 are those set out on pages 42 to 43 of this annual report.

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



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

(Incorporated in Cayman Islands with limited liability)

STOCK CODE : 1150

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