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MILAN STATION HOLDINGS LIMITED

米 蘭 站 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2011 was approximately HK\$879.8 million, representing an increase of 20.5% from approximately HK\$730.3 million for the year ended 31 December 2010.
- Gross profit for the year ended 31 December 2011 was approximately HK\$213.3 million, representing an increase of 22.1% from approximately HK\$174.7 million for the year ended 31 December 2010.
- Without regard to the equity-settled share option expense of approximately HK\$5.8 million, the profit for the year slightly decreased by 1.1% from approximately HK\$54.3 million for the year ended 31 December 2010 to approximately HK\$53.7 million for the year ended 31 December 2011.
- Earnings per share attributable to equity holders of the Company for the year ended 31 December 2011 was approximately HK7.70 cents, representing a decrease of 23.2% from approximately HK10.03 cents for the year ended 31 December 2010.
- Final dividend of HK0.6 cent per share is proposed for the year ended 31 December 2011 (2010: Nil).

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Milan Station Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2011 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE	4	879,802	730,259
Cost of sales		<u>(666,464)</u>	<u>(555,599)</u>
Gross profit		213,338	174,660
Other income and gains	4	8,770	935
Selling expenses		(104,151)	(84,091)
Administrative and other operating expenses		(53,654)	(24,681)
Finance costs	5	<u>(220)</u>	<u>(187)</u>
PROFIT BEFORE TAX	6	64,083	66,636
Income tax expense	7	<u>(16,119)</u>	<u>(12,326)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		<u>47,964</u>	<u>54,310</u>
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	9	<u>HK7.70 cents</u>	<u>HK10.03 cents</u>

Details of the dividends are disclosed in note 8 to the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
PROFIT FOR THE YEAR	47,964	54,310
OTHER COMPREHENSIVE INCOME:		
Exchange differences on translating foreign operations	<u>393</u>	<u>230</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>48,357</u>	<u>54,540</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	<i>Notes</i>	2011 HK\$'000	2010 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		11,926	9,082
Deferred tax assets		1,928	1,231
Deposits		21,011	10,719
Total non-current assets		34,865	21,032
CURRENT ASSETS			
Inventories		154,163	89,007
Trade receivables	10	9,259	9,691
Prepayments, deposits and other receivables		22,624	17,295
Tax recoverable		1,017	729
Pledged deposits		1,503	1,500
Cash and cash equivalents		176,539	26,640
Total current assets		365,105	144,862
CURRENT LIABILITIES			
Accrued liabilities and other payables		21,102	19,575
Interest-bearing bank borrowings		–	5,771
Obligations under finance leases		112	134
Tax payable		5,383	4,967
Provision		1,407	1,407
Total current liabilities		28,004	31,854
NET CURRENT ASSETS		337,101	113,008
TOTAL ASSETS LESS CURRENT LIABILITIES		371,966	134,040

		2011	2010
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Obligations under finance leases		163	268
Deferred tax liability		<u>177</u>	<u>177</u>
Total non-current liabilities		<u>340</u>	<u>445</u>
Net assets		<u>371,626</u>	<u>133,595</u>
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	<i>11</i>	6,744	–
Reserves		<u>364,882</u>	<u>133,595</u>
Total equity		<u>371,626</u>	<u>133,595</u>

NOTES:

1. CORPORATE INFORMATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

Pursuant to the group reorganisation (the “Reorganisation”) to rationalise the structure of the Company and its subsidiaries in preparation for the listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of Milan Station (BVI) Limited (“MS (BVI)”) and its subsidiaries (hereinafter collectively referred to as the “Group”) on 28 April 2011.

Further details of the Reorganisation are set out in the Company’s listing prospectus dated 11 May 2011 (the “Prospectus”).

The shares of the Company were listed on the Stock Exchange on 23 May 2011 (the “Listing”).

Since the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting. The financial statements have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group.

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 December 2011 include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the year ended 31 December 2011, or since their respective dates of acquisition, incorporation/establishment, where this is a shorter period.

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity of the Group for the year ended 31 December 2010 have been prepared on a combined basis and include the financial statements of the companies now comprising the Group as if the current group structure had been in existence throughout the period, or since their respective dates of acquisition or incorporation/establishment, where this is the shorter period.

The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the state of affairs of the Group as if the current group structure had been in existence at that date or since the respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

In the opinion of the directors of the Company, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the retailing of handbags, fashion accessories and embellishments. There were no significant changes in the nature of the Group’s principal activities during the year.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Perfect One Enterprises Limited (“Perfect One”), which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in income statement. The Group’s share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>
<i>Improvements to HKFRSs 2010</i>	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKAS 1 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendment most applicable to the Group are as follows:

- **HKAS 1 *Presentation of Financial Statements*:** The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> ¹
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ⁴
HKFRS 9	<i>Financial Instruments</i> ⁶
HKFRS 10	<i>Consolidated Financial Statements</i> ⁴
HKFRS 11	<i>Joint Arrangements</i> ⁴
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ⁴
HKFRS 13	<i>Fair Value Measurement</i> ⁴
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ³
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> ²
HKAS 19 (2011)	<i>Employee Benefits</i> ⁴
HKAS 27 (2011)	<i>Separate Financial Statements</i> ⁴
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ⁴
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ⁵
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ⁴

¹ Effective for annual periods beginning on or after 1 July 2011

² Effective for annual periods beginning on or after 1 January 2012

³ Effective for annual periods beginning on or after 1 July 2012

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 January 2014

⁶ Effective for annual periods beginning on or after 1 January 2015

3. OPERATING SEGMENT INFORMATION

The Group's principal activity is the retailing of handbags, fashion accessories and embellishments. 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 information is based on the location of customers, and the non-current assets information is based on the location of the assets.

	Hong Kong <i>HK\$'000</i>	Macau <i>HK\$'000</i>	Mainland China <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2011				
Revenue from external customers	<u>755,866</u>	<u>47,939</u>	<u>75,997</u>	<u>879,802</u>
Non-current assets	<u>13,870</u>	<u>225</u>	<u>6,336</u>	<u>20,431</u>
Capital expenditure	<u>2,079</u>	<u>6</u>	<u>5,756</u>	<u>7,841</u>
Year ended 31 December 2010				
Revenue from external customers	<u>645,357</u>	<u>38,857</u>	<u>46,045</u>	<u>730,259</u>
Non-current assets	<u>6,861</u>	<u>497</u>	<u>1,724</u>	<u>9,082</u>
Capital expenditure	<u>1,868</u>	<u>4</u>	<u>1,291</u>	<u>3,163</u>

The non-current assets information excludes financial instruments and deferred tax assets.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the year (2010: Nil), and no information about major customers is presented accordingly.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<u>Revenue</u>		
Sale of goods	<u>879,802</u>	<u>730,259</u>
<u>Other income and gains</u>		
Bank interest income	1,260	18
Gain on disposal of items of property, plant and equipment	–	873
Gross rental income	6,670	–
Others	<u>840</u>	<u>44</u>
	<u>8,770</u>	<u>935</u>
	<u>888,572</u>	<u>731,194</u>

5. FINANCE COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest on:		
Bank overdrafts	12	7
Bank loans wholly repayable within five years	189	151
Finance leases	<u>19</u>	<u>29</u>
	<u>220</u>	<u>187</u>

6. PROFIT BEFORE TAX

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Cost of inventories sold	666,464	555,599
Provision for slow-moving inventories	8,039	1,542
Depreciation	4,717	5,742
Minimum lease payments under operating leases in respect of land and buildings	64,252	42,177
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	32,768	26,734
Pension scheme contributions	993	898
Equity-settled share option expense	2,241	–
	<u>36,002</u>	<u>27,632</u>
Write-off of items of property, plant and equipment	334	217
Gain on disposal of items of property, plant and equipment	–	(873)
Bank interest income	<u>(1,260)</u>	<u>(18)</u>

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2010:16.5%) on the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the year was 25% (2010: 25%) on their taxable profit. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2010: 12%) on the estimated taxable profits.

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current – Hong Kong		
Charge for the year	12,890	9,926
Overprovision in prior years	(243)	(77)
Current – Elsewhere		
Charge for the year	4,090	2,880
Underprovision/(overprovision) in prior years	79	(30)
Deferred	(697)	(373)
	<u>16,119</u>	<u>12,326</u>
Total tax charge for the year	<u>16,119</u>	<u>12,326</u>

8. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim – HK1.52 cents (2010: Nil) per ordinary share	10,250	–
Special – HK1.27 cents (2010: Nil) per ordinary share	8,565	–
	<u>18,815</u>	<u>–</u>
Proposed final – HK0.6 cent (2010: Nil) per ordinary share	<u>4,046</u>	<u>–</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

An interim dividend for the year ended 31 December 2010 of HK\$14,489,000 was declared by the board of directors of Milan Station (Hong Kong) Limited, a wholly-owned subsidiary of the Company, to its then equity holder, World Top Trading Limited ("World Top") on 22 December 2010.

9. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount is based on the profit for the year attributable to equity holders of the Company of HK\$47,964,000 (2010: HK\$54,310,000) and the weighted average number of ordinary shares of 622,513,677 (2010: 541,586,000) in issue during the year.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2011 includes the 541,586,000 ordinary shares (*note 11*) as if the shares had been in issue throughout the year ended 31 December 2011, 108,414,000 ordinary shares issued on 23 May 2011 in connection with the Listing, and 24,374,000 ordinary shares issued on 26 May 2011 upon the exercise of the over-allotment option during the year.

The number of ordinary shares used to calculate the basic earnings per share for the year ended 31 December 2010 was based on the 541,586,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the year ended 31 December 2010.

No adjustment has been made to the basic earnings per share amount presented for the years ended 31 December 2011 and 2010 as the share options in issue during the year has no dilutive effect.

10. 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. Trade receivables are non-interest-bearing.

All receivables that were neither past due nor impaired relate mainly to credit card receivables from banks for whom there was no recent history of default.

11. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 1 November 2007 (date of incorporation) to 31 December 2011:

	<i>Notes</i>	Number of ordinary shares	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>			
Upon incorporation (38,000,000 shares of HK\$0.01) and as at 31 December 2010	(a)	38,000,000	380
Increase in authorised capital on 28 April 2011	(b)	<u>1,962,000,000</u>	<u>19,620</u>
At 31 December 2011		<u><u>2,000,000,000</u></u>	<u><u>20,000</u></u>
<i>Issued and fully paid :</i>			
Upon incorporation (1 share of HK\$0.01 allotted and issued as nil-paid) and as at 31 December 2010		1	–
On acquisition of MS (BVI) on 28 April 2011			
– allotment and issuance of 999,999 shares credited as fully paid	(c)	999,999	10
Capitalisation issue	(d)	<u>540,586,000</u>	<u>5,406</u>
Proforma issued capital as at 31 December 2010		541,586,000	5,416
New issue of shares	(e)	<u>132,788,000</u>	<u>1,328</u>
At 31 December 2011		<u><u>674,374,000</u></u>	<u><u>6,744</u></u>

Notes:

- (a) On 1 November 2007, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was authorised to issue up to 38,000,000 shares of HK\$0.01 each. One nil-paid share was issued and allotted to Codan Trust Company (Cayman) Limited, which was transferred to World Top on the same date. On 21 September 2010, World Top transferred the share to Perfect One at par value.

- (b) Pursuant to the written resolutions of the sole shareholder passed on 28 April 2011, the authorised share capital of the Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of additional 1,962,000,000 shares.
- (c) Pursuant to a resolution passed on 28 April 2011, Perfect One acquired the entire issued share capital of MS (BVI) from World Top at a consideration of US\$1. On the same date, the Company acquired the entire issued share capital of MS (BVI) from Perfect One, in consideration of the allotment and issue of 999,999 shares at par value, all credited as fully paid up, to Perfect One.
- (d) Pursuant to a resolution passed on 28 April 2011, 540,586,000 new shares of HK\$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately HK\$5,406,000 from the share premium account, to the then shareholder, whose name appeared on the register of the Company at close of business on 28 April 2011.
- (e) In connection with the Company's initial public offering ("IPO"), 108,414,000 shares of HK\$0.01 each were issued at a price of HK\$1.67 per share on 23 May 2011 for a total cash consideration, before related issuance expenses, of approximately HK\$181,051,000. Dealings in these shares on the Stock Exchange commenced on 23 May 2011.

In connection with the Company's IPO, an over-allotment option was granted to China Merchants Securities (HK) Co., Limited, the sole global coordinator (the "Sole Global Coordinator") of the IPO, whereby the Sole Global Coordinator has the right to request the Company to issue and allot up to an aggregate of 24,374,000 additional shares of HK\$0.01 each to subscribers under the IPO. On 23 May 2011, the Sole Global Coordinator exercised the over-allotment option and accordingly, 24,374,000 shares of HK\$0.01 each were issued by the Company at a price of HK\$1.67 per share for a total cash consideration, before related issuance expenses, of approximately HK\$40,705,000. Dealings in these shares on the Stock Exchange commenced on 26 May 2011.

12. CONTINGENT LIABILITIES

Before the date of the Listing, Milan Station (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, provided unlimited financial guarantees (the "Unlimited Guarantees") to a bank in connection with the bank loans and other banking facilities granted to certain of its related companies, of which Mr. Yiu Kwan Tat ("Mr. Yiu") is also a director and shareholder. The banking facilities granted to those related companies that are subject to guarantees given to the banks were utilised to the extent of approximately HK\$71,893,000 as at 31 December 2010. The Unlimited Guarantees have been released after the Listing.

MARKET REVIEW

Market Overview

In 2011, the further deterioration of European sovereign debt crisis in the second half and downgrading of the United States sovereign rating contributed to the great turmoil in financial markets and the lingering uncertainties had encumbered the economic recovery in Europe and the United States, resulting in the lack of significant improvement in the global economic situation. The main regions in which the Group is operating were, however, slightly affected by the external economic deterioration. Benefitting from China's continuous economic growth and enormous consumption power, the consumer markets in the Mainland China, Hong Kong and Macau remained sound throughout the year.

Hong Kong Retail Market

As Hong Kong is more susceptible to external factors, its whole-year economic growth was unable to continue the strong momentum in the beginning of the year, with gross domestic products recording an increase of 5.0% in 2011. Nevertheless, the retail market maintained a sound growth with total sales value of the retail industry increasing 24.8% over last year, which was mainly due to the continued influx of visitors from both Mainland China and overseas. The total number of visitor arrivals in Hong Kong throughout the year recorded a historic high of over 40.0 million, catalysing the retail consumption in the region. During the year, local unemployment rate remained relatively low, and the government's relief measures and subsidies should enable people to spare more money for consumption in Hong Kong.

The Mainland China Retail Market

The continuous intensifying global economic crisis had slightly affected China's overall economy. While the austerity measures promulgated by the PRC central government were beginning to show effects gradually, China's economy continued to maintain a robust development last year with its gross domestic product sustaining growth of approximately 9.2%, a moderate drop compared with 2010. The healthy development of the domestic economy, increasing disposable income of a class of affluent people, emergence of a middle class, increasing brand awareness, and the central governments' push for domestic consumption are among factors driving the long-term growth of China's luxury products industry.

Macau Retail Market

In Macau, its gambling industry has been developing vigorously, with continuous sharp increase in visitor arrivals in Macau. The annual visitor arrivals recorded a historic high of 28.0 million in 2011, a year-on-year increase of 12.2%, of which visitors from Mainland China accounted for 57.7% of the total visitor arrivals. Stimulated by visitor spending, the retail industry grew substantially. Various large shopping centers and casinos were completed one after another, attracting international renowned brands to enter into the Macau market.

BUSINESS REVIEW

Milan Station's success is attributable to our strong brand equity and management's ability to identify and seize market trends. In addition, our continuous efforts in protecting our intellectual property rights and our rigorous procurement and product examination procedures have played an instrumental role in driving Milan Station's development over the years.

In the reporting year, the "Milan Station" and "France Station" retail shops operated under the Group had a total of 16 shops in Hong Kong, the Mainland China and Macau, with total revenue amounting to approximately HK\$879.8 million, representing a year-on-year increase of approximately 20.5%. Total comprehensive income for the year was approximately HK\$48.4 million, representing a decrease of approximately 11.2% over last year. Total revenue contributed by Hong Kong, the PRC and Macau markets was respectively 85.9%, 8.6% and 5.5%. Gross profit margins for Hong Kong, the Mainland China and Macau were 23.9%, 33.7% and 32.2%, respectively. The profit for the year was HK\$48.0 million, representing a decrease of 11.6% over last year. Excluding the one-off equity-settled share option expenses, the adjusted profit for the year was HK\$53.7 million, representing a decrease of approximately 1.1% over last year.

Hong Kong

In 2011, the visitor arrivals in Hong Kong from Mainland China had again reached its historic high, fueling the retail market boom. However, the domestic stock market and property investment market began to slow down in the fourth quarter, affecting sentiment in both tourism and consumer spending. During the reporting period, the operation in the Hong Kong region maintained a steady growth with sales of approximately HK\$755.9 million, representing an increase of 17.1% over last year.

Since the Listing of Milan Station, the retail operation model for second-hand handbags is extensively recognised by the market and investors, and attracted many local and overseas operators to enter into this segment. Despite the emergence of many competitors in the region, the Group's six Milan Station retail shops located at the prime districts in Hong Kong like Causeway Bay, Tsim Sha Tsui and Central still achieved satisfactory sales growth. The Group believes benign market competition will help facilitating the overall development and advancement of the industry. The brand value accumulated by Milan Station over the past years also offers undisputed competition advantages.

The management team of Milan Station has sound marketing sense, possesses the ability of identifying rare and high value products that are sought after in the market and provide higher contribution in actual profit for the Group. During the reporting period, the sales amount and volume for high-end handbags products with prices above HK\$50,000 recorded a significant increase of 56.2% to approximately HK\$444.8 million and 17.0% to 2,949 pieces respectively. The sales of these products accounted for 58.8% of total sales of the Hong Kong retail operation.

We continue adjusting our retail shop portfolio, and optimising sales strategy of retail shops, to maintain the balanced growth of the retail shop business in different regions. The APM Shopping Mall (*Note 1*) in Kwun Tong, which opened in August last year to replace the Woodhouse shop in Tsim Sha Tsui, also achieved excellent results by leveraging on the Group's resources effectively.

During the year, we actively implemented diversified and multi-channel advertising and promotion strategies to boost our brand image and product sales, including continuous cooperation with various banks and shops to launch credit card shopping benefits, providing various sales promotion events and discount benefits to members registered under the "Milan Station Loyalty Membership Scheme", organising promotional activities in social media networks and various media platforms, and establishing various large outdoor billboards in commercial areas with high pedestrian flow. Meanwhile, a new TV commercial advertisement with the theme of "the most efficient and reliable handbag trading platform" was launched at the end of last year, further reinforcing the positioning of the Group. We also participated in sponsoring movies and concerts to reach our target audience, including the movie premiere of "China 1911" (「1911辛亥革命」) and "Summer Love Love" (「戀夏戀夏戀戀下」), "K-pop" and Kary Ng concerts. As of 31 December 2011, the registered members of "Milan Station Loyalty Membership Scheme" had reached 10,645. Milan Station also actively participates in social welfare activities, and contributes donations to the charities, including "Joyful (Mental Health) Foundation Limited", "Heifer" and "Caring for Children Foundation", showing the importance we place in corporate social responsibility.

The Group started to cooperate with a major online platform operator to develop Milan Station's online sales platform last year, which was launched into operation in July last year. It mainly targets overseas markets. The Group believes that the online market has a great development potential with high cost effectiveness, and it plans to continue exploring other online operation models to cater for more business needs to broaden channels for us to reach our customers. We also hope to provide the most fashionable branded handbags and fashion information through the online platform, establish a communication channel with our existing and potential customers to enhance the brand influence of Milan Station.

As the Group's principal place of business, Hong Kong contributes most of the Group's income. We will continue to consolidate our market leading position by tapping the changing market operating environment, reviewing and improving the business strategy. In facing the changing market environment, we will also identify market opportunities and seek business opportunities to make other new attempts in the core business of the second-hand luxury branded handbags retail to enhance our competitiveness in the second-hand luxury branded handbags market in Hong Kong.

Note 1: The Group terminated the lease agreement of the shop in Woodhouse, Tsim Sha Tsui on 28 June 2011 and moved to the APM shopping mall with higher shopper traffic in Kwun Tong.

The Mainland China

In 2011, the PRC Government continued to adopt a number of tightening measures that had led to an obvious slowdown in economic growth with domestic consumption sentiment weakening in the second half year. Milan Station's total sales in the China region amounted to approximately HK\$76.0 million, representing an increase of 65.2% over last year. During the reporting period, the Group operated four "Milan Station" retail shops in two big cities, Beijing and Shanghai (*Note 2*). The proportion of total revenue generated by the Mainland China business attributable to the full year total revenue was approximately 8.6%.

The Group successfully obtained the business license for selling second-hand products from the Shanghai Municipal Government in the first half year of 2011 together with its corresponding tax incentives (*Note 3*). The two Milan Station retail shops in Nanjing Xi Road and Changning District in Shanghai smoothly went into operation in the second half year. The new shops achieved satisfactory performance in their initial operation, demonstrating that the consumption model of second-hand branded handbags trading platform had successfully penetrated into another major city in China.

Last year, we actively conducted the structure optimisation of the retail team in Beijing, provided training to management and marketing staff and enhanced the service quality to customers in order to strengthen the capabilities of the PRC team of the Group, preparing for the business expansion in China. The operation of the two retail shops in Beijing China Central Place and Beijing Sanlitun, is getting increasingly smooth (*Note 2*). With the strong consumption power and high development potential for the luxury products market in Beijing, we will continue to actively develop the Beijing market. The two new shops in Wangfujing and Wangjing in Beijing are expected to go into operation in the second quarter of 2012.

As the market leader of independent retailers of second-hand luxury branded handbags, Milan Station pioneered the development of second-hand luxury brands market that has huge potential in Mainland China and had successfully penetrated into the two major core cities in China, Beijing and Shanghai, with our business in Mainland China gradually establishing a strong foothold. We had developed understanding of consumers and the market characteristics in Mainland China and had accumulated extensive experience in the procurement and sales of second-hand handbag products. Our domestic sales team and retail shop operation system gradually become more sophisticated. The Group is in full confidence to continue speeding up the domestic market development in the future and will actively and prudently identify shops in selected cities to expand the business scale in China.

Note 2: Beijing China Central Place retail shop and Beijing Sanlitun retail shop commenced operation in October 2008 and August 2010, respectively; Shanghai Jingan District retail shop and Changning District retail shop commenced operation in August 2011 and December 2011, respectively.

Note 3: Currently, Beijing and Shanghai impose a value-added tax of 4% on second-hand products sold by our Group and grant a tax reduction of 50% as incentive.

Macau

During the reporting period, the Group operated one “Milan Station” retail shop in Rua de S. Domingos, Macau. In 2011, the shop recorded total sales of approximately HK\$47.9 million, achieving satisfactory performance with an increase of 23.1% over the previous year.

FINANCIAL REVIEW

Revenue

During the year under review, revenue increased to approximately HK\$879.8 million, representing an increase of 20.5% as compared to approximately HK\$730.3 million recorded in last year. Handbags were the most important product category for the Group, representing over 99.3% of the total revenue of the Group. Sales of unused products also increased significantly and the revenue increased from approximately HK\$339.6 million recorded in last year, representing 46.5% of the total revenue of the Group, to approximately HK\$487.2 million during the year under review, representing 55.4% of the total revenue of the Group.

Growth in the sales of premium priced products was the major driving force of revenue growth for the Group. Revenue generated from the sales of premium priced products above HK\$50,000 increased from approximately HK\$315.5 million during the last year, representing 43.2% of the total revenue of the Group, to approximately HK\$506.7 million during the year, representing 57.6% of the total revenue of the Group. With the increasing future demand for premium priced products from the PRC tourists, revenue from the sales of premium priced handbag products will continue to increase, and such a trend is expected to generate more revenue for the Group.

Since most of the retail shops under the brand name of “Milan Station” are located in Hong Kong, therefore, the source of revenue also concentrates in the Hong Kong market. For the year ended 31 December 2011, the revenue generated from the Hong Kong market was approximately HK\$755.9 million, representing approximately 85.9% of the total revenue of the Group for the year. Revenue growth was also recorded in the China market, increasing from approximately HK\$46.0 million during the last year to approximately HK\$76.0 million.

The table below sets out the breakdown of the Group's revenue recorded for the year ended 31 December 2011 and 2010 by product categories, by price range of products and by geographical locations and their respective approximate percentages to the total revenue of the Group:

	For the year ended 31 December				Percentage change in revenue
	2011		2010		
	<i>HK\$ million</i>	<i>(Percentage of total revenue)</i>	<i>HK\$ million</i>	<i>(Percentage of total revenue)</i>	<i>(%)</i>
By product categories (handbags and other products)					
Handbags	873.3	99.3	722.8	99.0	20.8
Other products	6.5	0.7	7.5	1.0	(13.3)
Total	879.8	100.0	730.3	100.0	20.5
By product categories (unused and second-hand products)					
Unused products	487.2	55.4	339.6	46.5	43.5
Second-hand products	392.6	44.6	390.7	53.5	0.5
Total	879.8	100.0	730.3	100.0	20.5
By price range of products					
Within HK\$10,000	194.8	22.1	239.0	32.7	(18.5)
HK\$10,001 – HK\$30,000	135.9	15.5	153.4	21.0	(11.4)
HK\$30,001 – HK\$50,000	42.4	4.8	22.4	3.1	89.3
Above HK\$50,000	506.7	57.6	315.5	43.2	60.6
Total	879.8	100.0	730.3	100.0	20.5
By geographical locations					
Hong Kong	755.9	85.9	645.4	88.4	17.1
The PRC ⁽¹⁾	76.0	8.6	46.0	6.3	65.2
Macau	47.9	5.5	38.9	5.3	23.1
Total	879.8	100.0	730.3	100.0	20.5

⁽¹⁾ The first and the second retail shops in the PRC, located at China Central Place, Beijing and Sanlitun Road, Beijing, commenced its business in October 2008 and August 2010, respectively. The third and fourth retail shops in the PRC, located at Jingan District and Changning District, Shanghai, commenced its business in August 2011 and December 2011, respectively.

Cost of sales

For the year ended 31 December 2011, cost of sales for the Group was approximately HK\$666.5 million, increased by 20.0% year-on-year. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

The Group's gross profit and gross profit margin showed stable performance during the year under review. Gross profit margin of handbags products increased by 0.9 percentage points from 24.2% in last year to 25.1%. By price range of products, gross profit of products in various price ranges displayed a rising trend. Gross profit margin of products below HK\$10,000 remained stable at 33.6%. Gross profit margin of products in other price ranges, such as products in the price range of between HK\$30,001 and HK\$50,000 and above HK\$50,000, also recorded an increase. During the year, gross profit margin of products above HK\$50,000 was 21.8%, it is expected that there will be more room for the increase.

The table below sets out the breakdown of gross profit and gross profit margin of the Group for the years ended 31 December 2011 and 2010 by product categories, price range of products and geographical locations:

	For the year ended 31 December				
	2011		2010		
	Gross profit HK\$ million	Gross profit margin (%)	Gross profit HK\$ million	Gross profit margin (%)	Change (%)
By product categories					
(handbags and other products)					
Handbags ⁽¹⁾	219.4	25.1	175.0	24.2	25.4
Other products ⁽¹⁾	1.9	29.2	1.7	22.7	11.8
Less: provision for slow-moving inventories, inventories written off and other costs	(8.0)		(2.0)		
Total	<u>213.3</u>	24.2	<u>174.7</u>	23.9	22.1

	For the year ended 31 December				
	2011		2010		
	Gross profit	Gross profit	Gross profit	Gross profit	Change
	HK\$ million	margin (%)	HK\$ million	margin (%)	(%)
By product categories					
(unused and second-hand products)					
Unused products ⁽¹⁾	101.6	20.9	62.1	18.3	63.6
Second-hand products ⁽¹⁾	119.7	30.5	114.6	29.4	4.5
Less: provision for slow-moving inventories, inventories written off and other costs	<u>(8.0)</u>		<u>(2.0)</u>		
Total	<u>213.3</u>	24.2	<u>174.7</u>	23.9	22.1
By price range of products					
Within HK\$10,000 ⁽¹⁾	65.5	33.6	77.5	32.4	(15.5)
HK\$10,001 – HK\$30,000 ⁽¹⁾	36.9	27.2	37.2	24.2	(0.8)
HK\$30,001 – HK\$50,000 ⁽¹⁾	8.6	20.3	4.2	18.9	104.8
Above HK\$50,000 ⁽¹⁾	110.3	21.8	57.8	18.3	90.8
Less: provision for slow-moving inventories, inventories written off and other costs	<u>(8.0)</u>		<u>(2.0)</u>		
Total	<u>213.3</u>	24.2	<u>174.7</u>	23.9	22.1
By geographical locations					
Hong Kong ⁽¹⁾	180.3	23.9	148.5	23.0	21.4
The PRC ^{(1) and (2)}	25.6	33.7	14.8	32.2	73.0
Macau ⁽¹⁾	15.4	32.2	13.4	34.4	14.9
Less: provision for slow-moving inventories, inventories written off and other costs	<u>(8.0)</u>		<u>(2.0)</u>		
Total	<u>213.3</u>	24.2	<u>174.7</u>	23.9	22.1

- (1) Being gross profit before the provision for slow-moving inventories, inventories written off and other costs. Accordingly, the gross profit margin is calculated as the gross profit before provision for slow-moving inventories, inventories written off and other costs divided by total revenue and multiplied by 100%.
- (2) The first and second retail shops in the PRC, located at China Central Place, Beijing and Sanlitun Road, Beijing, commenced its business in October 2008 and August 2010, respectively. The third and fourth retail shops in the PRC, located at Jingan District and Changning District, Shanghai, commenced its business in August 2011 and December 2011, respectively.

Other income and gains

During the year, other income and gains amounted to approximately HK\$8.8 million, increased by HK\$7.9 million as compared to last year, this was primarily attributable to the total rental income of loans HK\$6.7 million generated from sub-letting to an independent third party by the Group during the year.

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 2011, selling expenses of the Group were approximately HK\$104.2 million, representing 11.8% of its revenue (2010: approximately HK\$84.1 million, representing 11.5% of revenue). Selling expenses continued to grow during the year under review, mainly due to an increase in rent and rates of retail shops and employee benefit expenses for sales staff.

Of the selling expenses, approximately HK\$4.5 million were advertising expenses, increased by approximately HK\$2.2 million as compared to last year, accounting for approximately 0.5% of total turnover, representing an increase of 0.2 percentage points as compared to approximately 0.3% recorded during last year. It was mainly attributable to the Group's active implementation of diversification and multi-channel development in advertising and promotional strategies that strengthened the brand image and sales of products, including sponsorship for movies and media publicity campaigns, as well as outdoor billboards located in central business districts with busy pedestrian traffic, etc.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2011 amounted to approximately HK\$53.7 million, increased by approximately HK\$29.0 million as compared to last year on year-on-year basis, representing approximately 6.1% of the turnover. The Group's administrative and other operating expenses mainly consist of directors' remuneration, equity-settled share option expense, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank borrowings, overdrafts, and finance leases. Finance costs increased from HK\$187,000 as in 2010 to HK\$220,000 in the current year, which was mainly attributable to amount of the Group's interest-bearing bank borrowings during the year 2011 increased and such amount has been settled as at 31 December 2011.

Profit attributable to equity holders

Profit attributable to equity holders of the Company for the year ended 31 December 2011 was approximately HK\$48.0 million, representing a decrease of 11.6% from last year. Net profit margin decreased by 1.9 percentage points to 5.5% (2010: 7.4%). Excluding equity-settled share option expense, the profit for the year decreased by 1.1% to HK\$53.7 million. Furthermore, in view of the continued strength in the demand for products in category with price range over HK\$50,000, most of which are limited edition items and in preparation for store expansion as well as the launch of a new online channel, the Group took a proactive step to accumulate more inventory in this category since the second half of 2011, leading to an increase in the inventory provision, which has an impact on the Group's overall net profit. Earnings per share was approximately HK7.7 cents, decreased by 23.2% as compared to last year.

Employees and remuneration policy

As at 31 December 2011, the Group had a total of 159 employees (2010: 141 employees). The Group's remuneration policy is determined according to the position, performance, 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 will be reviewed by the Board from time to time. Emoluments of directors are determined by the remuneration committee after considering the Group's operating results, individual performance and comparing with market conditions.

Liquidity and financial resources

The Group maintains a stable financial position. As at 31 December 2011, the Group did not have any interest-bearing bank borrowings (2010: approximately HK\$5.8 million). As at 31 December 2010, all bank loans and bank overdrafts were repayable within one year or on demand.

Except for bank overdrafts which bore interest at fixed interest rates, all other borrowings of the Group bore interest at floating interest rates. The bank loans bore interest at 2.45% below the Prime Lending Rate as at 31 December 2010 for the bank loans denominated in Hong Kong dollars.

As at 31 December 2011, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$176.5 million, HK\$28.3 million and HK\$371.6 million respectively (2010: approximately HK\$26.6 million, HK\$32.3 million and HK\$133.6 million respectively). The Group's gearing ratio (*Note 1*), current ratio (*Note 2*) and quick ratio (*Note 3*) as at 31 December 2011 were approximately 0.1%, 13.0 and 7.5, respectively (2010: 3.7%, 4.5 and 1.8, respectively), such ratios remained at sound level. Based on the Group's steady cash inflow from operations and coupled with its existing cash on hand, the Group has adequate financial resources to fund its future expansion.

Notes:

1. Gearing ratio is calculated based on the borrowings and obligations under finance leases divided by total assets at the end of the year and multiplied by 100%.
2. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.
3. 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.

Foreign exchange policy

The Group carries on its trading transactions mainly in HK dollars, RMB and Euro. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group does 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 acceptable level.

Contingent liabilities

Before the date of the Listing, Milan Station (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, provided unlimited financial guarantees (the "Unlimited Guarantees") to a bank in connection with the bank loans and other banking facilities granted to certain of its related companies of which Mr. Yiu Kwan Tat ("Mr. Yiu") is also a director and shareholder. The banking facilities granted to those related companies that are subject to guarantees given to the banks were utilised to the extent of approximately HK\$71.9 million as at 31 December 2010. The Unlimited Guarantees have been released after the Listing.

Capital commitments

The Group's capital commitments on property, plant and equipment amounted to approximately HK\$69.9 million and HK\$38,000 as at 31 December 2011 and 31 December 2010, respectively.

Future plans relating to the material investment on capital assets

On 2 November 2011, Milan Station Properties Holdings Limited (formerly known as Rich Bright Properties Limited), an indirect wholly-owned subsidiary of the Company (as "Purchaser"), entered into the preliminary sales and purchase agreement with an independent third party (as "Vendor") for the acquisition of a property ("Acquisition") at a total consideration of HK\$75.0 million. The purpose of the Acquisition is to secure office space for the Group to facilitate further growth of the Group.

The transaction was completed on 10 January 2012.

Details of the Acquisition are set out in the announcement "Discloseable transaction and change of use of proceeds" dated 2 November 2011.

OUTLOOK

2012 will be a very challenging year with complex economic situation. Nevertheless, with the steady momentum of the growth of the PRC economic development remaining unchanged, we adopt a cautiously optimistic view on the economic outlook in the coming year. The overall policy direction of the PRC central government to rely on domestic demand to fuel its economic growth will remain unchanged in future years. Factors such as consumption-driven economy, expansion of customer base as a result of the emergence of the middle class with improving tastes, and enormous spending power in the PRC will continue to drive the growth of retail business in Hong Kong and Macau. Hong Kong will continue to be one of most favorable and attractive destinations for consumers in the Asia-Pacific region (and in particular Mainland China) to purchase high-end branded products. The strong demand of PRC consumers for luxury products will continue to promote the development of the sales of luxury handbags in the PRC.

Development Strategy

In the future, we will continue to target strengthening our leading market position in Hong Kong as a base, with the core development strategy of actively developing fast-growing markets in the Mainland.

The successful experience in developing the retail business in Beijing and Shanghai has solidified our confidence in expanding the market in the PRC. The sales network of Milan Station will continue to penetrate into the premier business areas in Beijing and Shanghai. At the same time, we will continue to identify other potential cities in the PRC to develop comprehensively the business of second-hand branded handbags in the PRC. We will be prudently identifying the locations of new stores, and focus mainly on first-tier and second-tier cities with relatively higher per capita income and spending power, particularly premier business areas in cities where many international brands have established their presence.

In the meantime, we will also step up our efforts in brand promotion in Mainland China. Currently, we have enjoyed relatively high brand recognition in cities such as Beijing and Shanghai. We will continue to enhance the Mainland consumers' understanding and acceptance of "second-hand branded" products through active media public relations and marketing, publicity and education. While expanding our potential customer base, this will also lay a good foundation for us to expand into other cities in the Mainland.

In Hong Kong where we principally operate, competition is intensifying in the “second-hand branded” product market. In the light of the future challenges, we will continue to reinforce our competitiveness and leading position in Hong Kong luxury products market through improving and optimising the existing retail shop portfolio, continue our marketing and promotion efforts, and continuously improve the marketing strategies based on consumption characteristics in different regional markets.

We will continue to develop the internet sales platform business, fully leveraging on the advantage of the no-boundaries characteristic of the online sales platform. Apart from continuing the cooperation with website operators, we also will explore the possibility of developing our own online purchasing platform to enhance our brand value and website management flexibility. We will enrich and optimise the existing online sales operation, which includes supplying more products for selection to cater for consumer needs in the regional markets. At the same time, we will expand the online business, by providing updates on luxury branded handbags to strengthen our ties with customers. The online sales business will enable the Group to expand its market share and sales at lower operating costs.

Furthermore, we will emphasise on the overall resources deployment of the Group to concentrate on the development of its core business and adjust the development strategy for its own “MS” brand, and thereby increasing the overall cost effectiveness of the Group.

“Milan Station” capitalises on changes in urban lifestyle and creates an innovative operating model for luxury branded products. In the future, we will continue to leverage on our strong corporate reputation and the advantage of being a pioneer in the industry to strengthen our leading position in major markets and actively develop the PRC market so as to strive for higher returns to reward our shareholders for their support.

GLOBAL OFFERING AND USE OF PROCEEDS

In May 2011, the Company conducted a global offering which included the sales of 186,874,000 ordinary shares, comprising (i) 108,414,000 new shares issued and allotted by the Company; (ii) 54,086,000 sale shares offered by the shareholder; and (iii) 24,374,000 ordinary shares allotted and issued upon the exercise of the over-allotment option, at an offer price of HK\$1.67 per share. Net proceeds raised for the Company were approximately HK\$202.7 million and proposed applications were set out in the Prospectus. The ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 23 May 2011.

In conjunction with the Acquisition, the Board announces that the Company has decided to change the use of net proceeds accruing to the Group from the Global Offering as set out in the announcement dated 2 November 2011.

Out of approximately HK\$202.7 million raised from the Listing, approximately HK\$31.7 million has been utilised as at 31 December 2011, of which (i) HK\$27.6 million was applied for expansion of retail network in the PRC market; (ii) HK\$1.7 million was applied for relocating and redecorating existing retail shops in Hong Kong, the PRC and Macau; and (iii) HK\$2.4 million was applied for marketing and promotion of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing date up to 31 December 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period from the Listing to 31 December 2011, the Company had complied with all applicable provisions under the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") save as disclosed below.

Code provision A.2.1 of the Code requires the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. Mr. Yiu is the chairman and the chief executive officer of the Company. The Board believes that this structure of having Mr. Yiu acting as both the chairman and the chief executive officer of the Group is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the balance of power and authority is ensured by the operation of the Board, which comprises experienced and high caliber individuals who will meet regularly to discuss issues affecting operation of the Group. The Board has full confidence in Mr. Yiu and believes that his appointment to the posts of the chairman as well as the chief executive officer is beneficial to the business prospects of the Group.

Under code provision A.1.3 of the 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. Two out of the four regular 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 do its best endeavour to meet the requirement of code provision A.1.3 of the Code in future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2011 have been reviewed by the audit committee of the Company.

DIVIDENDS

The Board has proposed a final dividend of HK0.6 cent (2010: Nil) per ordinary share for the year ended 31 December 2011. Together with the interim dividend of HK1.52 cents per share but excluding the special dividend of HK1.27 cents per share for the period ended 30 June 2011 (both having been paid on 4 October 2011), the total dividend for the year ended 31 December 2011 will amount to HK2.12 cents per share, representing a total payout of HK\$14.3 million, or a distribution of 29.8% of the current year's profit attributable to equity shareholders. Subject to shareholders' approval at the forthcoming annual general meeting to be held on 18 May 2012, the proposed final dividend will be paid on or around 28 June 2012.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 16 May 2012 to Friday, 18 May 2012 (both days inclusive), during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Tuesday, 15 May 2012.

The Register of Members of the Company will be closed from Friday, 25 May 2012 to Tuesday, 29 May 2012 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at the aforementioned address not later than 4:30 p.m. on Thursday, 24 May 2012.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.milanstation.com.hk. The 2011 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to shareholders of the Company in mid April 2012.

By Order of the Board
Milan Station Holdings Limited
Yiu Kwan Tat
Chairman

Hong Kong, 22 March 2012

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat, Mr. YIU Kwan Wai, Gary, Mr. WONG Hiu Chor and Ms. YIU Sau Wai as executive Directors; Mr. TAM B Ray, Billy as non-executive Director; and Mr. IP Shu Kwan, Stephen, Mr. SO, Stephen Hon Cheung and Mr. LAU Kin Hok as independent non-executive Directors.