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 2014

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2014 was approximately HK$616 million, representing a decrease of 11.8% from approximately HK$698 million for the year ended 31 December 2013.

- Gross profit for the year ended 31 December 2014 was approximately HK$134 million, representing a decrease of 12.9% from approximately HK$153 million for the year ended 31 December 2013.

- Selling expenses for the year ended 31 December 2014 was approximately HK$132 million, representing a decrease of 4.3% of approximately HK$138 million for the year ended 31 December 2013. Selling expenses decrease during the year under review, mainly due to decrease in rental expenses of retail shops.

- Loss attributable to equity holders of the Company for the year ended 31 December 2014 was approximately HK$53 million, representing an increase of 41% from approximately HK$38 million for the year ended 31 December 2013.

- The Board has resolved not to declare a final dividend for the year ended 31 December 2014.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Milan Station Holdings Limited (the "Company") presents the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	**2014** **HK$'000**	2013 HK$'000
REVENUE	*4*	**615,863**	698,007
Cost of sales		**(482,317)**	(544,730)
Gross profit		**133,546**	153,277
Other income and gains	*4*	**3,555**	10,529
Selling expenses		**(132,379)**	(138,387)
Administrative and other operating expenses		**(57,175)**	(57,744)
Finance costs	*5*	**(990)**	(1,343)
LOSS BEFORE TAX	*6*	**(53,443)**	(33,668)
Income tax expense	*7*	**(82)**	(4,296)
LOSS FOR THE YEAR		**(53,525)**	(37,964)
Attributable to:			
Owners of the Company		**(52,918)**	(37,520)
Non-controlling interests		**(607)**	(444)
		(53,525)	(37,964)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*9*	**HK(7.85 cents)**	HK(5.56 cents)

Details of the dividends are disclosed in note 8 to the announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
LOSS FOR THE YEAR	**(53,525)**	(37,964)
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(2,346)**	2,103
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(55,871)**	(35,861)
Attributable to:		
Owners of the Company	**(55,173)**	(35,528)
Non-controlling interests	**(698)**	(333)
	(55,871)	(35,861)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**96,646**	95,026
Deferred tax assets		**574**	574
Deposits		**8,392**	22,912
Total non-current assets		**105,612**	118,512
CURRENT ASSETS			
Inventories		**119,137**	149,250
Trade receivables	*10*	**9,748**	10,712
Prepayments, deposits and other receivables		**26,513**	18,228
Tax recoverable		**2,208**	1,958
Pledged bank deposits		**1,002**	1,000
Cash and cash equivalents		**59,703**	81,302
Total current assets		**218,311**	262,450
CURRENT LIABILITIES			
Accrued liabilities and other payables		**22,216**	25,155
Interest-bearing bank borrowings	*11*	**24,479**	26,808
Obligations under a finance lease		**118**	114
Provisions		**2,515**	2,820
Tax payable		**846**	1,587
Total current liabilities		**50,174**	56,484
NET CURRENT ASSETS		**168,137**	205,966
TOTAL ASSETS LESS CURRENT LIABILITIES		**273,749**	324,478

	Notes	**2014** **HK$'000**	2013 HK$'000
NON-CURRENT LIABILITIES			
Accrued liabilities and other payables		**2,303**	–
Provisions		**132**	911
Obligations under a finance lease		**344**	463
Deferred tax liabilities		**322**	322
Total non-current liabilities		**3,101**	1,696
NET ASSETS		**270,648**	322,782
EQUITY			
Issued capital	*12*	**6,744**	6,744
Reserves		**260,825**	312,261
Equity attributable to owners of the Company		**267,569**	319,005
Non-controlling interests		**3,079**	3,777
TOTAL EQUITY		**270,648**	322,782

Notes:

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. 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 Units 1-3, 4/F, Tower 1, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are 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 immediate parent and ultimate holding company of the Company is Perfect One Enterprises Limited ("Perfect One"), which was incorporated in the British Virgin Islands and controlled by Mr. Yiu Kwan Tat, the chairman of the Company.

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 and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in the sections 76 to 87 of Schedule 11 to that Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the entities within the Group is HK$ except for the subsidiaries established outside Hong Kong for which the functional currency is the local currency in which the entities operate.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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 profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 Investment Entities

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has applied the amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets* for the first time in the current year. The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by HKFRS 13 *Fair Value Measurements*.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

Amendments to HKAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC) – Int 21 Levies

The Group has applied HK(IFRIC) - Int 21 *Levies* for the first time in the current year. HK(IFRIC) - Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC) - Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.3 NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[5]
Amendments to HKAS 1	*Disclosure Initiative*[5]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[5]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[4]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[6]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[5]

[1] *Effective for annual periods beginning on or after 1 January 2018.*

[2] *Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.*

[3] *Effective for annual periods beginning on or after 1 January 2017.*

[4] *Effective for annual periods beginning on or after 1 July 2014.*

[5] *Effective for annual periods beginning on or after 1 January 2016.*

[6] *Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.*

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application and is not yet in a position to state whether these new and revised HKFRSs would have any significant impact on the Group's results of operations and financial position.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the changes in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

3. 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 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 locations of the customers, and the non-current assets information is based on the locations of the assets.

	Hong Kong	**Macau**	**Mainland China**	**Singapore**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2014					
Revenue from external customers	**452,134**	**81,437**	**69,871**	**12,421**	**615,863**
Non-current assets	**86,357**	**27**	**11,629**	**–**	**98,013**
Capital expenditure	**2,199**	**1,454**	**9,020**	**–**	**12,673**
Year ended 31 December 2013					
Revenue from external customers	543,249	82,074	64,548	8,136	698,007
Non-current assets	93,265	113	7,219	–	100,597
Capital expenditure	9,603	25	2,443	–	12,071

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

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the year (2013: Nil) and no information about major customers is presented accordingly.

Information about major products

	2014	2013
	HK$'000	HK$'000
Handbags	**611,051**	690,408
Other products	**4,812**	7,599
	615,863	698,007

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:

	2014	2013
	HK$'000	HK$'000
Revenue		
Sale of goods	**615,863**	698,007
Other income and gains		
Bank interest income	**82**	699
Total interest income on financial assets not at fair value through profit or loss	**82**	699
Gain on disposal of property, plant and equipment	**52**	526
Licensing income	**2,901**	–
Gross rental income	**–**	8,400
Others	**520**	904
	3,555	10,529

5. FINANCE COSTS

	2014	2013
	HK$'000	HK$'000
Interest on:		
Bank loans wholly repayable:		
Within five years	**136**	112
Over five years	**837**	1,221
Finance lease charges	**17**	10
	990	1,343

The analysis shows the finance costs of bank borrowings, including term loan which contains a repayable on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreement.

6. LOSS BEFORE TAX

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

	Group	
	2014	2013
	HK$'000	HK$'000
Cost of inventories sold	**482,317**	544,730
Write down/(write-back of provision) for slow-moving inventories included in cost of inventories sold	**1,345**	(17,264)
Depreciation		
– owned assets	**8,192**	10,691
– assets under finance lease	**28**	95
	8,220	10,786
Impairment of property, plant and equipment	**1,155**	1,790
Loss on write-off of rental deposits	**2,119**	–
Minimum lease payments under operating leases in respect of land and buildings	**72,121**	79,053
Auditors' remuneration	**900**	1,460
Write-off of property, plant and equipment	**1,636**	1,476
Provision for early termination of a tenancy agreement	**1,590**	3,956
Employee benefit expenses (excluding directors' remuneration):		
Salaries, wages and other benefits	**39,142**	33,988
Pension scheme contributions	**1,084**	1,054
Equity-settled share option expense	**1,991**	–
	42,217	35,042

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits 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 (the "PRC Tax Law") of the Peoples' 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% (2013: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2013: 12%) on the estimated taxable profits. The subsidiary in Singapore is subject to Singapore income tax at the rate of 17% (2013: 17%).

	2014	2013
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**27**	2,038
Overprovision in prior years	**–**	(191)
Current – Elsewhere		
Charge for the year	**44**	462
Underprovision in prior years	**11**	373
Deferred	**–**	1,614
Total tax charge for the year	**82**	4,296

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2014 (2013: Nil), nor has any dividend been proposed since the end of the reporting period.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share amount is based on the loss for the year attributable to owners of the Company of HK$52,918,000 (2013: HK$37,520,000) and the ordinary shares of 674,374,000 (2013: 674,374,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options in issue had an anti-dilutive effect on the basic loss per share amounts presented.

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. 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.

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

	Group	
	2014	2013
	HK$'000	HK$'000
Within 1 month	**8,182**	10,337
1 to 2 months	**498**	375
2 to 3 months	**464**	–
Over 3 months	**604**	–
	9,748	10,712

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	HK$'000
Neither past due nor impaired	**8,237**	10,429
1 to 2 months past due	**907**	283
Over 3 months past due	**604**	–
	9,748	10,712

All receivables that were neither past due nor impaired relate to receivables from a number of customers for whom there was no recent history of default.

11. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	Group 2014 HK$'000	Group 2013 HK$'000
Current				
Bank loan – secured	3.25 (2013: 3.25)	On demand	**24,479**	26,808

As at 31 December 2014 and 2013, the secured bank loan is denominated in Hong Kong dollars and bears interest at floating rates.

The secured bank loan contains a repayment on demand clause and accordingly is included within current interest-bearing bank borrowings and analysed into bank loans payable within one year or on demand.

Based on the maturity terms of the bank loan, the amount repayable in respect of the bank loan is as follows:

	Group 2014 HK$'000	Group 2013 HK$'000
Portion of bank loans due for repayment within one year	**2,406**	2,329
Bank loans due for repayment after one year		
After 1 year but within 2 years	**2,483**	2,406
After 2 years but within 5 years	**7,959**	7,703
After 5 years	**11,631**	14,370
	22,073	24,479
	24,479	26,808

As at 31 December 2014, the bank loan was secured by:

(i) a pledge of the Group's land and buildings with a carrying amount of HK$76,530,000 (2013: HK$77,313,000);

(ii) a corporate guarantee executed by the Company and a subsidiary of the Company to the extent of HK$67,000,000 (2013: HK$67,000,000); and

(iii) the pledge of bank deposits of HK$1,002,000 (2013: HK$1,000,000).

12. SHARE CAPITAL

	2014 HK$'000	2013 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
674,374,000 (2013: 674,374,000) ordinary shares of HK$0.01 each	**6,744**	6,744

13. EVENTS AFTER THE REPORTING PERIOD

On 5 January 2015, the Group formed a 90% owned subsidiary in Hong Kong (the "Project Company"). On 16 February 2015, the Group entered into an equity transfer agreement with the Project Company, by which the Group transferred the 100% equity interest in 潮袋(上海)網絡科技有限公司, a PRC registered subsidiary of the Group, to the Project Company at nil consideration. The Project Company then allotted new shares, which represent 61.1% of the enlarged entire issued share capital of the Project Company, to an independent third party (the "Investor") for a subscription price of HK$13,750,000. Upon the completion of the subscription by the Investor, the Project Company has ceased to be a subsidiary of the Group. The directors estimated that the Group would record a gain of approximately HK$3,000,000 on deemed disposal of the subsidiary.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In 2014, the United States' gradual economic recovery facilitated a modest growth in the global economy. However, Europe was still mired in economic woes despite a series of interest rate cuts and bond purchases by the governments. These, coupled with the adjustments or even changes initiated by the Chinese government to its the tourism policy and the political movement of "Occupy Central" in Hong Kong in the fourth quarter, substantially dampened the consumer sentiment in both mainland China and Hong Kong, especially the demand for luxury items. As a result, the retail market for luxury handbags continued to face downward pressure. The Group's retail handbag retail business in mainland China, Hong Kong and Macau was deeply affected.

Hong Kong's Retail Market

Hong Kong's economic growth remained slow in 2014, with its gross domestic products (GDP) going up by 2.3%. As a result, the city's retail market only managed a meagre growth. The information from the Hong Kong Census & Statistics Department has shown decreases in the indexes for the value and volume of retail sales of jewellery, watches and clocks, and valuable gifts. The total number of visits by mainland Chinese tourists to Hong Kong rose by 16.0% to approximately 47.3 million in 2014, but the proportion of the mainland tourists with weaker spending power from the second and third-tier cities and those doing same-day return trips increased significantly. This development led to a substantial decrease in the average spending power of the mainland tourists in the city. Moreover, Hong Kong's local political movement of "Occupy Central" in the fourth quarter deterred mainland tourists from visiting Hong Kong, further weakening the city's overall retail market, and its impact on the sales at the luxury handbag industry was direct and especially pronounced.

Mainland China's Retail Market

According to the information from China's National Bureau of Statistics, the country's gross domestic product (GDP) in 2014 went up by 7.4%, the lowest growth rate in the past 24 years. Although the total retail sales of consumer goods grew by 12.0% to RMB26.2 trillion, the growth was a 1.1 percentage points lower than that in the previous year, showing a decelerating growth in the overall retail market. Furthermore, an increasing number of mainland Chinese consumers are keen to buy luxury goods overseas. This also resulted in a gradual shrinkage of the domestic market for luxury goods.

Macau's Retail Market

After more than a decade of rapid development, Macau's economy began to slow down in 2014. This, coupled with the Macau government's more stringent regulation of the gaming industry, resulted in a decrease in that industry's revenue for the first time since its opening to more investors in 2001. The overall revenue from the city's gaming industry was approximately MOP351,500 million, down by 2.6%. It also put the retail industry under pressure, especially the luxury goods retail sector.

BUSINESS REVIEW

As at 31 December 2014, the global economic prospect remained uncertain, and the changing government policies in mainland China and Hong Kong suppressed consumers' desire to buy luxury goods. As a result, the Group's major operations were affected and had to cope with severe challenges. In response to the subdued market sentiment, the Group managed to sustain its operation and development by consistently consolidating its conventional retail network, adjusting its product mix and stringently monitoring its product certification programmes. All these measures were aimed at reinforcing its existing marketing share.

During the year, the Group's total revenue decreased by approximately 11.8% to approximately HK$616 million. It recorded a loss of approximately HK$54 million (as at 31 December 2013: loss of approximately HK$38 million). The revenues generated in the markets of Hong Kong, Mainland China and Macau accounted for 73.4%, 11.4% and 13.2% respectively of the Group's total revenue, while other markets (including Singapore) contributed 2.0%. Gross profit margins of the Group's operations in Hong Kong, Mainland China, Macau and Singapore were 18.3%, 26.9%, 34.9% and 28.5% respectively.

Hong Kong

With its unique and up-to-date business model, and the renowned brand credibility and reputation of "Milan Station", the Group has been leading the industry in the development of luxury brand handbags trading over the years. The Group adhered to the principle of providing genuine and certified products for its customers, formulated a series of stringent and systematic product certification programmes, and formed a team of professionally trained staff responsible for executing the product inspection process. During the year, the Group devoted more human resources to the management of merchandise quality, and strengthened the product certification programmes with the finer division of labor. These measures helped the Group to maintain its leading market position and advantages in the industry despite the adverse operating environment, and drove its sustainable business growth despite the inimical environment for consumption.

The composition of the mainland Chinese tourist group visiting Hong Kong had changed in recent years, with the majority of it changing from tourists with high spending power from the country's first– and second-tier cities to the tour groups with weaker spending power from the second and third-tier cities. This development, coupled with the city's political movement of "Occupy Central" in the fourth quarter of the year under review, led to a 16.7% decrease in the sales at the Group's Hong Kong business to approximately HK$452 million. The revenue was derived from a total of seven "Milan Station" retail stores in Hong Kong, its online sales platforms which were jointly operated with other partners and directly managed by the Group, and other new sales channels.

To adapt to the changes in the composition of the consumer group and its consumption patterns which were triggered by the on-going changes in the macroeconomic environment in recent years, the Group continued to adjust its product mix during the year, and actively promoted the mid-range and fast-moving products. Products in the price range of HK$10,001 to HK$30,000, HK$30,001 to HK$50,000 and over HK$50,000 accounted for 37.0%, 5.7% and 48.3% respectively of the Group's total sales in Hong Kong during the year under review.

Over the years, the rents of retail shops in Hong Kong remained high and were still increasing steadily in 2014, exerting heavy pressure on the retail industry. The Group strived to mitigate the impact of operating costs, especially those of high rents by actively establishing cost-effective and diverse sales channels in recent years. Such sales channels included its directly managed and operated online shop (www.milanstation.net). During the year under review, the number of page views of the Group's online shopping platform climbed up steadily, and at the same time the Group implemented cost-effective online marketing to induce the visitors to the Group's website to shop at the Group's brick-and-mortar retail stores, thus attaining synergetic development of both its online and offline operations. The Group achieved a stable performance in overall online sales, which contributed approximately HK$20.7 million in sales value, up by 33.8%/in par with that in 2013. In addition, the Group operated sales counters on four cruises to sell mid-priced products, which contributed approximately HK$11.1 million in sales in 2014. The sales counters on the cruises will be operated through consignment sales to reduce the operating costs.

To consolidate its brand image, corporate reputation and leading market position continuously, the Group conducted many kinds of advertising and promotion through various channels. To adapt to the changes in consumption patterns in mainland China and Hong Kong, the Group adopted more marketing and promotion channels that were more cost-effective, implemented marketing strategies that were targeted at different tiers of the market, enhanced brand reputation, and tried to attract more potential customers. During the year, the Group placed advertisements on the social media platforms and search engines to facilitate the development of its online shopping business, and continued to cooperate with various banks, hotels and retail partners to provide credit card shopping benefits, host various sales promotions and offer sales discounts to members who had been registered under the "Milan Station Loyalty Membership Scheme". To date, there are 19,457 such registered members. In addition, the Group sponsored the fashion show that featured works by the graduates of the School of Design of The Hong Kong Polytechnic University, and provided a development opportunity for young designers as a way to demonstrate its commitment to corporate social responsibility, thus establishing the image of "Milan Station" as a leading brand of fashion and trend.

Mainland China

In 2014, China's persistent economic slowdown and its government measures to advocate frugality in recent years dampened the consumer sentiment. As a result, the sales of high-priced products at the Group's retail shops in the country were affected directly. However the Group's businesses there recorded a 8.2% increase in overall sales to approximately HK$70 million, and accounted for approximately 11.3% of its overall sales. Sales revenue were contributed by the Group's four "Milan Station" retail shops in Beijing, Shanghai, Shenyang and Jiangmen as well as its online shopping platform in mainland China (milanstation.cc). In particular, the self-operated store in Shenyang and the franchised stores in Jiangmen commenced their businesses in August of 2014 respectively.

Macau

The gaming industry in Macau recorded its first revenue decline in 2014 since 2001 when it was opened to more investors. The development of the city's gaming and tourism industries was gradually decelerating from rapid to stable growth. Therefore, the operation of the Group's retail shops and points of sale in exclusive clubhouses in the city was seriously affected. For the year ended 31 December 2014, the Group's total sales revenue there decreased by 0.8% to approximately HK$82 million. In addition, during the second half of the year, the "Milan Station" retail shop at Rua de S. Domingos had been relocated to Rua da Palha to reduce rental expenses.

Overseas Market

The Group's first branch outside China, Hong Kong and Macau was launched in Orchard Road, Singapore. For the year ended 31 December 2014, the shop achieved revenue of approximately HK$12 million, representing approximately 2.0% of the Group's total revenue for the year under review.

Outlook

In 2015, the consumer sentiment in mainland China and Hong Kong is expected to remain weak in the short term as it is affected by the uncertain prospect of the global economy and the Chinese government's policies. Both the market for luxury goods and the overall retail market will inevitably face unabated difficulties and obstacles. Nevertheless, as the living standard of the middle class in mainland China is improving, the country's growing quest for brand names and style and its consumption market's potential for growth should not be overlooked. As such, the luxury goods industry will still be able to maintain momentum of strong growth in the long run. Since the global economy is recovering steadily and China's economy continues to maintain a steady growth, the Group is still cautiously optimistic about the long-term outlook of the luxury goods markets in mainland China and Hong Kong.

Development Strategy

Looking ahead, the Group will continue with its core strategy of consolidating its leading position in Hong Kong's market and prudently expanding its business in mainland China and overseas markets. Specifically, the Group will open cost-effective and diverse sales channels, consolidate its conventional retail network, and adjust its product mix. These measures were aimed at maintaining its market share and position, strictly controlling its costs, and enhancing its operational efficiency and overall competiveness.

In 2015, the Group will consolidate the market share of its existing business of retailing brand new and second-hand handbags in Hong Kong, and plans to increase its direct procurement from key European luxury brand handbag distributors by leveraging its good relationships with them ever since its establishment. This will enhance the price competiveness of the brand new products, reduce procurement costs and improve gross profit margin. Such plan is progressing smoothly with initial success as more other luxury brand distributors contacted us for business. Therefore, we have successfully established certain advantages in our procurement channels. The Group will also closely monitor market trends, and will commence its own "MS" brand handbag business when the time is right and after deliberation.

The Group will continue to review the efficiency of its retail shops, actively integrate its store portfolio in the core markets, prudently renew the leases for those stores with lower rents and relocate those stores which have been paying high rents. In the course of business expansion, the Group will strive to bring the overall rental cost within the target range and improve the store per-square-meter sales performance. In mainland China's market, the Group will continue to prudently identify cost-effective and diverse sales channels and partners for cooperation, with a view to expanding its business and market shares in those cities with varying degrees of potential for growth.

Online shopping has been gaining momentum as a popular mode of consumption in mainland China. The Group will heed the development potential of the country's e-commerce, actively seize market opportunities, and devote appropriate resources to its online shopping platform there in the coming year to attract more potential customers, thus reinforcing its online-to-offline marketing model and further mitigating the pressure of rising rents on the Group.

To cope with the difficult operating environment and to lay the foundations for its development and business growth, the Group will forge ahead with appropriate business strategies according to its estimate of the future changes to the market conditions. Meanwhile, the Group hopes to generate reasonable returns to its shareholders by leveraging its brand influence, leading position in the industry, innovative and diverse sales channels as well as flexible operating strategies which have been developed over the years.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2014 and 2013 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				
	2014		2013		
	HK$ million	***Percentage of total revenue %***	*HK$ million*	*Percentage of total revenue %*	*Percentage change in revenue %*
By product categories (handbags and other products)					
Handbags	**611.1**	**99.2**	690.4	98.9	(11.5)
Other products	**4.8**	**0.8**	7.6	1.1	(36.8)
Total	**615.9**	**100.0**	698.0	100.0	(11.8)
By product categories (unused and second-hand products)					
Unused products	**444.0**	**72.1**	437.4	62.7	1.5
Second-hand products	**171.9**	**27.9**	260.6	37.3	(34.1)
Total	**615.9**	**100.0**	698.0	100.0	(11.8)
By price range of products					
Within HK$10,000	**121.8**	**19.8**	162.7	23.3	(25.1)
HK$10,001 – HK$30,000	**128.8**	**20.9**	158.1	22.7	(18.5)
HK$30,001 – HK$50,000	**38.8**	**6.3**	40.2	5.7	(3.5)
Above HK$50,000	**326.5**	**53.0**	337.0	48.3	(3.1)
Total	**615.9**	**100.0**	698.0	100.0	(11.8)
By geographical locations					
Hong Kong	**452.1**	**73.4**	543.3	77.8	(16.8)
The PRC	**69.9**	**11.4**	64.5	9.2	8.4
Macau	**81.5**	**13.2**	82.1	11.8	(0.8)
Singapore [(1)]	**12.4**	**2.0**	8.1	1.2	53.1
Total	**615.9**	**100.0**	698.0	100.0	(11.8)

[(1)] The first branch in Orchard Road, Singapore was opened in July 2013.

Cost of sales

For the year ended 31 December 2014, cost of sales for the Group was approximately HK$482 million, decreased by 11.46% year-on-year. Cost of sales mainly consisted of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the year under review decreased by HK$19.7 million to approximately HK$133.50 million, with its gross profit margin decreased slightly by 0.2 percentage points to 21.7%.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 18.3%, 26.9% and 34.9%, respectively (2013: 19.2%, 30.8% and 32.8%, respectively).

Inventory

The Group's total inventories as at 31 December 2014 and 2013 were HK$119 million and HK$149 million, respectively. The total inventories of the Group are recorded after netting of provision for slow-moving inventories. Inventory turnover days of the Group deteriorated to 101.6 days for the year ended 31 December 2014 (2013: 88.7 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	
	2014	2013
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**25,055**	77,934
91 to 180 days	**31,062**	38,216
181 days to 1 year	**40,536**	31,128
Over 1 year	**21,405**	631
Total	**118,058**	147,909

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	
	2014	2013
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**36**	225
46 to 90 days	**78**	254
91 days to 1 year	**947**	860
Over 1 year	**18**	2
Total	**1,079**	1,341

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	
	2014	2013
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**12,331**	40,795
91 to 180 days	**16,715**	16,419
181 days to 1 year	**20,092**	13,451
Over 1 year	**9,818**	–
Total	**58,956**	70,665

Other income and gains

During the year ended 31 December 2014, other income and gains amounted to approximately HK$3.6 million, decreased by HK$7.0 million as compared to last year, mainly due to decrease of rental income.

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 2014, selling expenses of the Group were approximately HK$132 million, representing 21.5% of its revenue (2013: approximately HK$138.4 million, representing 19.8% of revenue). Selling expenses decreased mainly due to an decrease in rental expenses for retail shops.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2014 amounted to approximately HK$57.2 million, decreased by approximately HK$0.6 million as compared to last year on year-on-year basis, representing approximately 9.3% of the turnover. The Group's administrative and other operating expenses mainly consisted of directors' remuneration, 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 consisted of interest expenses on bank borrowings and a finance lease. Finance costs amounted to approximately HK$0.9 million in 2014, decreased by HK$0.4 million as compared to last year.

Loss attributable to equity holders

Loss attributable to equity holders of the Company for the year ended 31 December 2014 was approximately HK$52.9 million, representing an increase of 41% from approximately HK$37.5 million for the year ended 31 December 2013. Loss per share attributable to equity holders was approximately HK7.9 cents for the year ended 31 December 2014, as compared to approximately HK5.6 cents for the year ended 31 December 2013.

Employees and remuneration policy

As at 31 December 2014, the Group had a total of 150 employees (2013: 173 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. 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 2014, the Group had an interest-bearing bank borrowings of approximately HK$24.5 million (2013: approximately HK$26.8 million). The borrowing is denominated in Hong Kong dollars. The bank loan bears prevailing commercial lending rates. The Group's land and building with a carrying amount of HK$76.5 million was pledged to secure the bank borrowing. It was expected that all the borrowings would be repaid by internal generated funds.

As at 31 December 2014, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$59.7 million, HK$53.3 million and HK$267.6 million, respectively (2013: approximately HK$81.3 million, HK$58.2 million and HK$319.0 million, respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2014 were approximately 7.7%, 4.4 and 2.0, respectively (2013: 7.2%, 4.6 and 2.0, respectively).

Pledge of assets

As at 31 December 2014, the Group's land and building with a carrying value of HK$76.5 million and the Group's bank deposits of HK$1.0 million were pledged to banks to secure the bank borrowings and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, Renminbi ("RMB"), United States ("US") dollars and Singapore dollars. 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 acceptable level.

Contingent liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitments including property, plant and equipment amounted to approximately HK$1.2 million and HK$4.6 million as at 31 December 2014 and 2013, respectively.

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 2014.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$41.8million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2014, the Company complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviations.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the Reporting Year, certain 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 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.

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Kwan Tat was the Chairman and Chief Executive Officer of the Company during the period from 1 January 2014 to 11 July 2014. The Board believed that this structure of having Mr. Yiu Kwan Tat acting as both the Chairman and the Chief Executive Officer of the Company was conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considered that this structure would not impair the balance of power and authority between the Board and the management of the Group as the balance of power and authority was ensured by the operation of the Board, which comprised experienced and high caliber individuals who met regularly to discuss issues affecting operation of the Group.

However, in view of the requirement of code provision A.2.1 of the CG Code, the Company reviewed the management structure. On 11 July 2014, Mr. Yiu Kwan Tat resigned as the Chief Executive Officer of the Company and Mr. Choi Wai Kwok, Andy was appointed as the Chief Executive Officer of the Company. The appointment is considered to have helped the Company comply with the code provision A.2.1 of the CG Code.

Under code provision A.6.5 of the CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills, and should provide a record of the training they received to the issuer. Ms. Yiu Sau Wai and Mr. Wong Hui Chor, all being former Directors, had not provided a record of the training to the Company.

Under code provision A.6.7 of the CG Code, all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Mr. Tam B Ray, Billy, a Non-executive Director, and Mr. So, Stephen Hon Cheung, an Independent Non-executive Director, were unable to attend the annual general meeting of the Company held on 5 June 2014 due to their other business engagements.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2014 and the accounting principles and practices adopted by the Group during the year under review and matters of auditing, internal controls and financial reporting have been discussed with the management and reviewed by the Audit Committee of the Company.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2014 (2013: Nil).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkex.com.hk and the website of the Company at www.milanstation.com.hk. The 2014 annual report containing all information required by the Listing Rules will be published on the above websites and dispatched to the shareholders of the Company by the end of April 2015.

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

Hong Kong, 31 March 2015

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat and Mr. YIU Kwan Wai, Gary, as executive Directors; Mr. TAM B Ray, Billy and Mr. YUEN Lai Yan, Darius as non-executive Directors; and Mr. SO, Stephen Hon Cheung, Mr. FAN Chun Wah, Andrew and Mr. MUI Ho Cheung, Gary as independent non-executive Directors.