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 2015

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2015 was approximately HK$400 million, representing a decrease of 35% from approximately HK$616 million for the year ended 31 December 2014.

- Gross profit for the year ended 31 December 2015 was approximately HK$92 million, representing a decrease of 31% from approximately HK$134 million for the year ended 31 December 2014.

- Selling expenses for the year ended 31 December 2015 were approximately HK$94 million, representing a decrease of 29% of approximately HK$132 million for the year ended 31 December 2014, mainly due to decrease in rental expenses of retail shops.

- Loss attributable to equity holders of the Company for the year ended 31 December 2015 was approximately HK$48 million, representing a decrease of 9% from approximately HK$53 million for the year ended 31 December 2014.

- The Board has resolved not to declare a final dividend for the year ended 31 December 2015.

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of Milan Station Holdings Limited (the "Company") presents the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
REVENUE	*4*	**399,679**	615,863
Cost of sales		**(308,007)**	(482,317)
Gross profit		**91,672**	133,546
Other income and gains, net	*4*	**16,044**	3,555
Selling expenses		**(94,216)**	(132,379)
Administrative and other operating expenses		**(60,858)**	(57,175)
Finance costs	*5*	**(428)**	(990)
LOSS BEFORE TAX	*6*	**(47,786)**	(53,443)
Income tax expense	*7*	**(849)**	(82)
LOSS FOR THE YEAR		**(48,635)**	(53,525)
Attributable to:			
Owners of the Company		**(48,242)**	(52,918)
Non-controlling interests		**(393)**	(607)
		(48,635)	(53,525)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*9*	**HK(7.14 cents)**	HK(7.85 cents)

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	HK$'000	HK$'000
LOSS FOR THE YEAR	**(48,635)**	(53,525)
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	**(2,669)**	(2,346)
Reclassified on disposal of a subsidiary	**99**	–
Total other comprehensive loss for the year	**(2,570)**	(2,346)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(51,205)**	(55,871)
Attributable to:		
Owners of the Company	**(50,634)**	(55,173)
Non-controlling interests	**(571)**	(698)
	(51,205)	(55,871)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**14,612**	96,646
Intangible assets		**4,768**	–
Available-for-sale investments		**2,600**	–
Deferred tax assets		**–**	574
Deposits		**10,576**	8,392
Total non-current assets		**32,556**	105,612
CURRENT ASSETS			
Inventories		**115,056**	119,137
Trade receivables	*10*	**9,168**	9,748
Prepayments, deposits and other receivables		**14,345**	26,513
Tax recoverable		**1,265**	2,208
Pledged bank deposits		**–**	1,002
Cash and cash equivalents		**82,069**	59,703
Total current assets		**221,903**	218,311
CURRENT LIABILITIES			
Trade and other payables	*11*	**19,619**	22,216
Interest-bearing bank borrowings	*12*	**–**	24,479
Obligations under finance leases		**353**	118
Provisions		**18**	2,515
Tax payable		**942**	846
Total current liabilities		**20,932**	50,174
NET CURRENT ASSETS		**200,971**	168,137
TOTAL ASSETS LESS CURRENT LIABILITIES		**233,527**	273,749

	Note	**2015**	2014
		HK$'000	HK$'000
NON-CURRENT LIABILITIES			
Obligations under finance leases		**507**	344
Provisions		**266**	132
Other liabilities		**4,554**	2,303
Deferred tax liabilities		**788**	322
Total non-current liabilities		**6,115**	3,101
NET ASSETS		**227,412**	270,648
EQUITY			
Issued capital	*13*	**6,775**	6,744
Reserves		**216,736**	260,825
Equity attributable to owners of the Company		**223,511**	267,569
Non-controlling interests		**3,901**	3,079
TOTAL EQUITY		**227,412**	270,648

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 retailing of handbags, fashion accessories, embellishments and spa and wellness products. There were no significant changes in the nature of the Group's principal activities during the year.

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 ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). 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 ("Listing Rules"). 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.

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 2015. 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 Group 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 applied the following amendments to HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 19, *Defined benefit plans: Employee contributions*

Amendments to HKFRSs, *Annual Improvements to HKFRSs 2010-2012 Cycle*

Amendments to HKFRSs, *Annual Improvements to HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19, Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, the Company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, *Related party disclosures* has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

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 and which may be relevant to the Group, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[1]

[1] *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

[3] *Effective for annual periods beginning on or after a date to be determined.*

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on 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, embellishments and spa and wellness products. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the non-current assets information is based on the locations of the property, plant and equipment and deposits, or the location of the operation to which the intangible assets relate.

	Hong Kong HK$'000	Macau HK$'000	Mainland China HK$'000	Singapore HK$'000	Total HK$'000
Year ended 31 December 2015					
Revenue from external customers	**343,932**	**15,619**	**39,244**	**884**	**399,679**
Non-current assets	**13,429**	**50**	**5,901**	**–**	**19,380**
Capital expenditure	**7,935**	**50**	**1,812**	**–**	**9,797**
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

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 (2014: Nil) and no information about major customers is presented accordingly.

Information about major products

	2015	2014
	HK$'000	HK$'000
Handbags	**393,094**	611,051
Other products	**6,585**	4,812
	399,679	615,863

4. REVENUE AND OTHER INCOME AND GAINS, NET

Revenue 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:

	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of goods	**399,679**	615,863
Other income and gains, net		
Bank interest income	**294**	82
Total interest income on financial assets not at fair value through profit or loss	**294**	82
Gain on disposal of property, plant and equipment	**12,947**	52
Gain on disposal of subsidiaries	**2,805**	–
Forfeiture of deposit received	**1,045**	–
Licensing income	**1,019**	2,901
Gross rental income from a sublease arrangement	**2,069**	–
Impairment of available-for-sale investments	**(3,000)**	–
Impairment of amount due from an available-for-sale investee	**(1,700)**	–
Others	**565**	520
	16,044	3,555

5. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on bank loans and overdrafts	**390**	973
Finance lease charges	**38**	17
	428	990

6. LOSS BEFORE TAX

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

	2015 HK$'000	2014 HK$'000
Cost of inventories recognised as an expense	**308,007**	482,317
Write down for slow-moving inventories included in cost of inventories recognised as an expense	**682**	1,345
Depreciation		
– owned assets	**7,563**	8,192
– assets under finance lease	**749**	28
	8,312	8,220
Amortisation of intangible assets	**71**	–
Net exchange loss	**208**	455
Impairment of property, plant and equipment	**–**	1,155
Loss on write-off of rental deposits	**680**	2,119
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**58,738**	72,121
– Contingent rentals	**894**	–
	59,632	72,121
Auditors' remuneration	**1,040**	900
Loss on write-off of property, plant and equipment	**812**	1,636
Provision for early termination of a tenancy agreement	**–**	1,590
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	**31,259**	39,142
Pension scheme contributions	**1,012**	1,084
Equity-settled share option expense	**1,895**	1,991
	34,166	42,217

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 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% (2014: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2014: 12%) on the estimated taxable profits. The subsidiary in Singapore is subject to Singapore income tax at the rate of 17% (2014: 17%).

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**180**	27
Underprovision in prior years	**95**	–
Current – Elsewhere		
Charge for the year	**–**	44
Underprovision in prior years	**–**	11
Deferred	**574**	–
Total tax charge for the year	**849**	82

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015 (2014: 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$48,242,000 (2014: HK$52,918,000) and the weighted average of 675,773,000 ordinary shares (2014: 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 2015 and 2014 in respect of a dilution as the impact of the share options outstanding 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:

	2015	2014
	HK$'000	HK$'000
Within 1 month	**9,007**	8,182
1 to 2 months	**32**	498
2 to 3 months	**8**	464
Over 3 months	**121**	604
	9,168	9,748

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

	2015	2014
	HK$'000	HK$'000
Neither past due nor impaired	**9,007**	8,237
1 to 3 months past due	**60**	907
Over 3 months past due	**101**	604
	9,168	9,748

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. TRADE AND OTHER PAYABLES

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

	2015	2014
	HK$'000	HK$'000
Within 1 month	**173**	–
1 to 2 months	**517**	–
2 to 3 months	**30**	–
Over 3 months	**53**	–
	773	–

12. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	**Maturity**	**2015**	2014
			HK$'000	HK$'000
Current				
Bank loan – secured	Nil (2014: 3.25% per annum)	On demand	**–**	24,479

As at 31 December 2014, the secured bank loan is denominated in Hong Kong dollars and bears interest at floating rates. During the year ended 31 December 2015, the secured bank loan was fully repaid.

The secured bank loan as at 31 December 2014 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 was as follows:

	2015 HK$'000	2014 HK$'000
Portion of bank loans due for repayment within one year	–	2,406
Bank loans due for repayment after one year		
After 1 year but within 2 years	–	2,483
After 2 years but within 5 years	–	7,959
After 5 years	–	11,631
	–	22,073
	–	24,479

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;

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

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

13. SHARE CAPITAL

	2015 HK$'000	2014 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
677,487,000 (2014: 674,374,000) ordinary shares of HK$0.01 each	**6,775**	6,744

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	674,374,000	6,744
Share options exercised	3,113,000	31
At 31 December 2015	677,487,000	6,775

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

During the year under review, global economy lacked a growth momentum and the recovery pace was slow. Despite the US economy gradually recovered, however, the Eurozone economy remained weak, and global financial market uncertainties intensified. The overall tourist visits from Mainland China slowed down and tourist portfolio and consumption model also appeared structural changes, which led to a drop in the average spending power of the mainland tourists in Hong Kong. Meanwhile, with the relatively strong US Dollar and HK Dollar, mainland Chinese tourists preferred to travel and shop in those regions where currencies are weaker, such as Europe and other Asian countries like Japan and Korea, and thus had significantly affected the Group's luxury handbags industry in Mainland China and Hong Kong. The retail market in Hong Kong faced severe challenges during the year, including the continued decline in the number of Mainland China tourist visits, the price difference of luxurious goods due to exchange rate fluctuation that resulted less appealing for tourists to visit Hong Kong. Also there is a tendency that mainland tourist portfolio is coming from the second and third-tier cities with weaker spending power and preferred buying low to mid-priced products, thereby deeply affected the Group's core retail business.

BUSINESS REVIEW

During the year under review, uncertain global economy, weak economic growth in both China and Hong Kong, market changes and challenges had exerted tremendous pressure on the operating environment of the retail market. In facing the rapid changes of customer preferences and weak consumption sentiment, the Group continued to adhere providing genuine and certified products to target customers, committed to enriching product mix, focused on boosting the returns on points of sales and grasped the opportunities to develop diversified marketing channels and captured market opportunities in the changing economic environment. As a result, the Group's business continued to operate and develop despite under severe challenges.

During the year, total income of the Group's business was HK$400 million, decreased by 35% as compared with the corresponding period last year, of which income from the markets in Hong Kong, Mainland China, Macau and Singapore represented 86.0%, 9.8%, 4.0% and 0.2% of the Group's total revenue respectively. Gross profit margins of the Group in Hong Kong, Mainland China, Macau and Singapore were 22.9%, 22.1%, 25.0% and 28.8%, respectively. The Group continued to implement effective cost control strategy, and coupled with recording the one-time gain of approximately HK$12 million from property disposal, the loss for the year decreased by 9.1% to HK$49 million.

Hong Kong

Hong Kong has always been the core market where the Group focuses on its business development. However, in the past year, faced with the grim challenges of economic environment, including those factors such as the number of Mainland China tourist visits continued to decline, weakening per capita consumption, exchange rate fluctuation in the second half year which further pushed consumption towards overseas markets, sales of the Group in Hong Kong dropped by 23.9% to approximately HK$343.9 million during the year. The revenue was come from the six "Milan Station" retail stores in Hong Kong and the online sales platform directly managed by the Group and product sales in other new sales channels.

The Group adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. During the year, the Group devoted more human resources to the management of merchandise quality, and strengthened the product certification programmes with the finer division of labor to ensure all the products were inspected by professional team. These measures helped the Group to maintain the "Milan Station" brand reputation and earn market recognition, pursuant to which it strengthened the Group's leading position in the luxury handbags trading industry under adverse operating environment

During the year, the Group continued to control procurement costs stringently and standardized product selling price of the Group to improve our gross profit margin to mitigate the impact of decreasing sales. During the year, through the proven effective strategy of strengthening the relationships with large European luxury handbags' distributors, the Group's profit margin went up slightly by 1.3%. Meanwhile, the Group perfected its pricing system and standardized the product price of every retail store in the Group to boost up the Group's overall price competitiveness, which also helped the Group to consolidate and unified its brand image and enhanced the Group's marketing management.

To cater for consumers' rapidly changing preferences, the Group adjusted its product mix flexibly and introduced more mid-priced brand products to cater for local consumption trends and mitigated the impact on the Group's business due to per capita purchasing power decline.

Besides adjusting product mix, the Group believed exploring diversified business actively are important measures to achieve its long term and sustainable growth. During the year, the Group acquired the 51% interest in WLS Limited, in which the latter holds THANN, a quality natural aroma and skincare product brand, at a total consideration of HK$3 million, with an aim to further enrich its business portfolio. The principal business activity of WLS Limited is the provision of spa and wellness products in Hong Kong. It is running a wholesale business and has 14 retail chain stores selling THANN skin care & home spa products. THANN is a range of natural aroma and skincare products formulated from botanical elements derived by combining the art of natural therapy with modern dermatological science. The brand becomes more and more well-known to consumers in Hong Kong in recent years and has established a stable client basis. The Group is of view that the acquisition of THANN will generate synergetic effect on target customers for both parties and will have mutual benefits on the business development also.

The Group has always along been committed to enhancing operation efficiency. Through closing two low contributing retail stores during the year, the Group further integrated and optimized its retail network. In view of the overall consumption sentiment still remained weak, the Group negotiated with the landlords to stabilize rental costs at a reasonable level. For retail stores that need tenancy renewal, relevant arrangements had already completed. Furthermore, to improve cost effectiveness, the Group strived to explore diversified sales channels, and provided unique and precious high value products for customers through limited edition handbags auction during the year. Through selling products in such channels, vendors could enjoy higher bargaining power and profit potential. In the future, the Group will continue to operate the auction sales business and intends to include second-hand products sales to further expand customer base. In addition, after the overall evaluation of the operating performance and cost conditions due to a sharp decrease of high-consumption tourists, the Group terminated the trading booth consignment sales operation in the four cruises in Hong Kong.

A loyal customer base is an important asset of the Group. The Group strived to repay loyal customers by membership scheme, encouraging them to increase consumption. During the year, the Group continued to cooperate with various banks, hotels and retail partners to provide various sales promotions and offer sales discounts to members who had already registered under the “Milan Station Loyalty Membership Scheme”. In the future, the Group plans to cooperate with other popular retail partners to offer members with more surprises. For many years, the Group fully utilized the media power to enhance brand exposure and popularity. In addition to conduct promotion through traditional media platforms such as TV station and newspapers, the Group actively facilitated more cost effectiveness publicity, and utilized emerging media channels including social media and search banners to enhance brand image.

The gaming industry and tourism industry in Macau shrunk in recent years, which greatly bombarded the Group’s business locally. During the year, the Group closed the retail stores in Macau, while the points of sale in exclusive clubhouses also performed unsatisfactorily. The Group’s revenue in Macau decreased 80.8% to approximately HK$15.6 million as compared to last year. The Group will continue to adjust the product mix of points of sale in exclusive clubhouses, and focus on selling mid-priced brands.

Mainland China

The Group closed its store in Shanghai during the year and sub-let part of the office area of Beijing store to other business to save cost and expenses and improve return rate per unit area. The Group's businesses there recorded a 43.8% decrease in overall sales to approximately HK$39.2 million, and accounted for approximately 9.8% of its overall sales as compared to 2014. Sales revenue were contributed by the Group's four "Milan Station" retail shops in Beijing, Shenyang, Jiangmen and Chengdu respectively. Despite the gradual slowing down of the driver that pushes the China economy forward, the Group endeavored to control its costs and narrowed the business losses in the China market. During the year, the Group's loss generated from Mainland China were approximately HK$15.8 million, decreased by 1.9% as compared to last year.

Overseas Market

In February this year, the Group's franchised operator in the Singapore market terminated its franchised operation. The Group will observe the market conditions and opportunities in Singapore prudently, and may reconsider the franchised operation in the country when the market outlook becomes promising.

Outlook

In 2016, the slow global economic growth is expected to continue and no remarkable momentum of growth in retail markets in Mainland China and Hong Kong is envisaged. However, as the disposable income of Chinese consumers continues to increase, their awareness on luxury goods brand grows day by day, together with the increasing tendency in total sum consumption by Mainland consumers in purchasing luxury goods from overseas markets, the retail markets still have some room to grow. The Group is cautiously optimistic about the outlook of the luxury goods market in Mainland China and Hong Kong.

Development Strategy

Looking ahead, the Group will continue to consolidate and increase its market share in Hong Kong, focusing on promoting domestic consumption and developing diversified business as its core strategy and enlarge the second-hand handbags market share. The Group will actively explore opportunities to acquire businesses with profitability capabilities, consolidate its conventional retail network, intensify its efforts to develop domestic consumer market and control rental costs effectively, aiming at enhancing its profit and overall competiveness and coping with the current challenges in retail markets.

In 2016, the Group will focus on the development of mid-priced market and second-hand handbags market and broaden its customer base. The specific strategy is to increase the proportion of mid-priced branded handbags in sales and provide more competitive price to cater for the prudent consumption pattern of local customers. The Group will also commit itself to consolidating the original market share for brand new handbags, maintaining good relationships with key European luxury brand handbag distributors and reducing procurement costs. The Group will continue to participate in Christie's Auction and increase its profit through the limited edition handbags auction. The Group will respond to market situation and choose to develop its own "MS" brand handbag business when the time is right.

During the year, the Group acquired THANN, a brand of quality natural aroma and skincare products, and plans to open four to five THANN retail stores in local consumer shopping malls of Hong Kong business district in 2016, and the first new store is expected to be opened in the first quarter of 2016. The Group also plans to introduce the THANN brand to enter into the Mainland China market, and it targets to open the first THANN retail store in Southern China in 2016. In the future, the Group will focus on enhancing the publicity strategy, actively promoting the THANN brand, further improving its recognition and awareness and make THANN to be a leading brand of natural aroma and skincare products. The Group will prudently and actively identify other acquisition target and share the same development concept with the Group to further extend its product mix, so as to bring more quality choices to consumers.

In light of the structural changes in retail markets, the Group will make corresponding adjustments to our store network strategy. Under the major premise of promoting local consumption, in the future, the Group plans to open retail stores in local consumption shopping malls located in business districts as its target and improve the store per-square-meter sales performance as well as the gross profit margin of the Group. The overall rentals for shops under the Group tend to drop, which is beneficial to the Group to lease shops with more cost-efficient terms. It is expected that the Group will control its rental to cost ratio within 10% in 2016. The Group will continue to keep abreast of the changes in the rental market, and review the outlet portfolio of retail stores prudently.

The Group will adhere to its consistently stringent operation principle and continue to reinforce its leading position in the industry by leveraging on its brand influence which has been developed over the years, with the emphasis on grasping local consumption and endeavoring to control labor and rental costs. At the same time, the Group will actively identify businesses with profitability capabilities, enrich its brand portfolio and expand diversified business, with a view to generating reasonable returns to its shareholders.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2015 and 2014 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				
	2015		2014		
		Percentage of total revenue		*Percentage of total revenue*	*Percentage change in revenue*
	HK$ million	***%***	*HK$ million*	*%*	*%*
By product categories (handbags and other products)					
Handbags	**393.1**	**98.3**	611.1	99.2	(35.7)
Other products	**6.6**	**1.7**	4.8	0.8	37.5
Total	**399.7**	**100.0**	615.9	100.0	(35.1)
By product categories (unused and second-hand products)					
Unused products	**299.8**	**75.0**	444.0	72.1	(32.5)
Second-hand products	**99.9**	**25.0**	171.9	27.9	(41.9)
Total	**399.7**	**100.0**	615.9	100.0	(35.1)
By price range of products					
Within HK$10,000	**64.9**	**16.2**	121.8	19.8	(46.7)
HK$10,001 – HK$30,000	**73.3**	**18.3**	128.8	20.9	(43.1)
HK$30,001 – HK$50,000	**24.8**	**6.2**	38.8	6.3	(36.1)
Above HK$50,000	**236.7**	**59.3**	326.5	53.0	(27.5)
Total	**399.7**	**100.0**	615.9	100.0	(35.1)
By geographical locations					
Hong Kong	**343.9**	**86.0**	452.1	73.4	(23.9)
The PRC	**39.3**	**9.8**	69.9	11.4	(43.8)
Macau	**15.6**	**4.0**	81.5	13.2	(80.9)
Singapore	**0.9**	**0.2**	12.4	2.0	(92.7)
Total	**399.7**	**100.0**	615.9	100.0	(35.1)

Cost of sales

For the year ended 31 December 2015, cost of sales for the Group was approximately HK$308 million, decreased by 36.1% 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$42 million to approximately HK$91.6 million, with its gross profit margin increased slightly by 1.2% to 22.9%.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 22.9%, 22.1% and 25.0%, respectively (2014: 18.3%, 26.9% and 34.9%, respectively).

Inventory

The Group's total inventories as at 31 December 2015 and 2014 were HK$115 million and HK$119 million respectively. The total inventories of the Group are recorded after netting of the provision for slow-moving inventories. Inventory turnover days of the Group deteriorated to 138.8 days for the year ended 31 December 2015 (2014: 101.6 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	
	2015	2014
	HK$'000	HK$'000
Aging of inventories (handbags products)		
0 to 90 days	**33,122**	25,055
91 to 180 days	**23,770**	31,062
181 days to 1 year	**22,841**	40,536
Over 1 year	**32,682**	21,405
Total	**112,415**	118,058

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	
	2015	2014
	HK$'000	HK$'000
Aging of inventories (other products)		
0 to 45 days	**751**	36
46 to 90 days	**895**	78
91 days to 1 year	**848**	947
Over 1 year	**147**	18
Total	**2,641**	1,079

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	
	2015	2014
	HK$'000	HK$'000
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**20,597**	12,331
91 to 180 days	**12,567**	16,715
181 days to 1 year	**13,972**	20,092
Over 1 year	**10,849**	9,818
Total	**57,985**	58,956

Other income and gains, net

During the year ended 31 December 2015, other income and gains amounted to approximately HK$16.0 million, increased by HK$12.5 million as compared to last year, mainly due to gain on disposal of a property.

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 2015, selling expenses of the Group were approximately HK$94 million, representing 23.5% of the Group's revenue (2014: approximately HK$132 million, representing 21.5% of the Group's revenue). Selling expenses decreased mainly due to a 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 2015 amounted to approximately HK$60.9 million, increased by approximately HK$3.7 million as compared to last year on a year-on-year basis, representing approximately 15.2% of the revenue. The Group's administrative and other operating expenses mainly consisted of directors' remuneration, salaries and 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 finance lease. Finance costs amounted to approximately HK$0.4 million in 2015, decreased by HK$0.6 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 2015 was approximately HK$48.2 million, representing a decrease of 8.9% from approximately HK$52.9 million for the year ended 31 December 2014. Loss per share attributable to equity holders was approximately HK7.1 cents for the year ended 31 December 2015, as compared to approximately HK7.9 cents for the year ended 31 December 2014.

Employees and remuneration policy

As at 31 December 2015, the Group had a total of 143 employees (2014: 150 employees). The Group's remuneration policy was determined according to the position, performance and experience of the staff as well as the market trend. Staff benefits of the Group include basic salaries, subsidies, insurance and commission/bonus. The remuneration policy was reviewed by the Board from time to time. The emoluments of Directors were reviewed by the remuneration committee of the Company and recommended to the Board for approval after considering the Group's operating results, individual performance and comparing with marketing conditions.

Liquidity and financial resources

As at 31 December 2014, the secured bank loan of HK$24.5 million is denominated in Hong Kong dollars and bears interest at floating rates. During the year ended 31 December 2015, the secured bank loan was fully repaid.

As at 31 December 2015, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$82.1 million, HK$27.0 million and HK$223.5 million respectively (2014: approximately HK$59.7 million, HK$53.3 million and HK$267.6 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2015 were approximately 0.3%, 10.6 and 5.1 respectively (2014: 7.7%, 4.4 and 2.0 respectively).

Pledge of assets

As at 31 December 2015, the Group had no property and bank deposit (31 December 2014: the Group's land and building within a carrying amount of HK$76.5 million and bank deposit of HK$1.0 million) were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, 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 an acceptable level.

Contingent liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

Litigation

On 29 January 2015, Milan Station Asia Pacific Retail (Beijing) Co. Ltd. ("MS Beijing"), a wholly owned subsidiary of the Company, received a notice of claim from Beijing San Dong An Co. Ltd. ("Beijing San Dong An") for the case in relation to dispute arising from the early termination of the lease agreement on 5 June 2014 between MS Beijing as tenant and Beijing San Dong An as landlord in respect of a retail shop at 北京王府井新東安廣場, pursuant to which the landlord claimed the amount of about RMB2.78 million being the compensation for the early termination of the lease agreement. On 5 March 2015, Beijing San Dong An reached a conclusion with MS Beijing that MS Beijing shall pay Beijing San Dong An the sum of approximately RMB1.3 million which included a rental deposit of RMB0.7 million being forfeited by Bejing San Dong An and recognised as expenses for the year ended 31 December 2014, and additional claims of RMB0.7 million. On the same date, 北京市東城區人民法院 issued the civil settlement order in respect of the case. The additional claims of RMB0.7 million was recognised as a provision as at 31 December 2014, and paid to Beijing San Dong An on 20 March 2015.

Capital commitments

The Group did not have any capital commitments regarding any for purchase of property, plant and equipment as at 31 December 2015. (2014: HK$1.2 million).

Connected Transaction – Disposal of a subsidiary

On 25 November 2014, (i) Standpoint Global Limited ("Standpoint"), an indirect wholly-owned subsidiary of the Company, (ii) J&C (Asia) Limited ("J&C"), which is wholly-owned by Ms. Zhang Qin, (iii) Milan Station Internet Technology Limited ("Milan Station Internet"), which is owned by Standpoint and J&C as to 90% and 10% respectively, (iv) 潮袋(上海)網絡科技有限公司 ("Chaodai(潮袋)"), a wholly-owned subsidiary of Milan Station Internet, and (v) Noblead Investment Limited(德音投資有限公司)(the "Investor"), a company incorporated in Hong Kong with limited liability, entered into a non-legally binding memorandum of understanding for the proposed subscription of the equity interest in Chaodai (潮袋) by the Investor.

On 26 January 2015, Standpoint, Milan Station Internet, J&C, the Investor and Ms. Zhang Qin entered into a non-legally binding framework agreement for the formation of a project company (the "Project Company") for the acquisition of the entire equity interest of Chaodai (潮袋) and the proposed subscription of equity interests in the Project Company by the Investor.

On 16 February 2015, Milan Station Internet entered into an equity transfer agreement with the Project Company, namely Port One International Holding Limited(柏徠國際控股有限公司), a company incorporated in Hong Kong with limited liability, pursuant to which, Milan Station Internet transferred the 100% of the entire equity interest of Chaodai(潮袋) to the Project Company at nominal value and pursuant to a subsequent supplemental agreement entered into between Milan Station Internet and the Project Company, the nominal consideration was waived. Upon the completion of the equity transfer agreement, J&C transferred its 10% shareholding in Milan Station Internet to Standpoint at nominal value. On the same date, Standpoint entered into the joint venture agreement (the "JV Agreement") with J&C, the Investor and the Project Company to facilitate the control and the management of the Project Company and the subscription for 61.1% of the enlarged entire issued share capital of the Project Company at the subscription price of HK$13,750,000 by the Investor (the "Subscription"). On 2 March 2015, the Subscription was completed pursuant to the JV Agreement and the Project Company became owned as to 61.1% by the Investor, 35% by Standpoint and 3.9% by J&C. Accordingly, the Project Company has ceased to be a subsidiary of the Company and its financial results shall be ceased to be consolidated into the consolidated accounts of the Group.

Details of above are set out in the announcements of the Company dated 30 December 2014, 26 January 2015, 16 February 2015 and 2 March 2015 respectively.

Disposal of a property

On 9 April 2015, Milan Station Properties Holdings Limited（米蘭站置業有限公司）(the "Vendor"), an indirect wholly-owned subsidiary of the Company, entered into a provisional sale and purchase agreement with Apex City Enterprises Limited (the "Purchaser"), a company incorporated in the British Virgin Islands, for the disposal of the property located at Units 1, 2, 3, 4B, 6B and S01, 4th Floor, Tower 1, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong (the "Property") at a total consideration of HK$89.16 million (the "Disposal"). The completion of the Disposal took place on 29 May 2015, and after that, the Vendor and the Purchaser entered into a tenancy agreement pursuant to which the Vendor leased back the Property for the period commencing from 1 June 2015 to 31 May 2020 (both dates inclusive) at the monthly rental of HK$250,000 for the first 3 years ending 31 May 2018 and HK$287,500 for the remaining 2 years ending 31 May 2020.

Details of the Disposal are set out in the announcements of the Company dated 9 April 2015 and 29 May 2015 respectively.

Grant and Exercise of Share Options

On 13 May 2015 (the "Date of Grant"), the Board granted 1,500,000 share options to the Non-executive Directors and Independent Non-executive Directors for the purpose of providing incentives and rewards to their contribution to the Group under the share option scheme adopted by the Company on 28 April 2011 (the "Share Option Scheme") at an exercise price of HK$1.21 per share, which represents the highest of (i) the closing price of HK$1.21 per Share on the Date of Grant; (ii) the average closing price of HK$1.004 per share for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK$0.01 per share. Details of the above grant of share options were disclosed in the announcement of the Company dated 13 May 2015.

On 15 July 2015, a total of 3,113,000 share options were exercised by certain grantees of the Company to subscribe for 3,113,000 ordinary shares under the Share Options Scheme at an exercise price of HK$0.616 per share and the shares were issued on 21 July 2015. The weighted average closing price of the share immediately before the date on which the share options were exercised was HK$0.88 per share.

Issue of Warrants

On 22 July 2015, the Company entered into a subscription agreement (the "Subscription Agreement I") with Mr. Lam Chi Kin ("Mr. Lam"), a third party independent of the Company and its connected persons and their respective associates, pursuant to which 30,000,000 unlisted warrants (the "Warrants I") will be issued to Mr. Lam under the general mandate granted to the Directors at the annual general meeting of the Company held on 5 June 2015 (the "General Mandate") at the issue price (the "Issue Price") of HK$0.081 per Warrant I. Each Warrant I entitles the relevant holder of such warrants to subscribe for one share of the Company at an exercise price (the "Exercise Price") of HK$1.2 per subscription share during the 18 months period commencing on the date of issue of Warrants I.

On 22 July 2015, the Company entered into a subscription agreement (together with the Subscription Agreement I, the "Subscription Agreements") with Mr. Chau Ki Shum ("Mr. Chau"), a third party independent of the Company and its connected persons and their respective associates, pursuant to which 24,000,000 unlisted warrants (the "Warrants II", together with the Warrants I, the "Warrants") will be issued to Mr. Chau under the General Mandate at the Issue Price of HK$0.081 per Warrant II. Each Warrant II entitles the relevant holder of such warrants to subscribe for one share of the Company at the Exercise Price of HK$1.2 per subscription share during the 18 months period commencing on the date of issue of Warrants II.

The Issue Price is HK$0.081 for each Warrant is determined after arm's length negotiations between the Company and the Subscribers with reference to the closing price of HK$0.73 as at 22 July 2015 and valued by an independent valuer.

The Exercise Price of HK$1.20 per subscription share represents (i) a premium of approximately 64.38% to the closing price of HK$0.73 per share as quoted on the Stock Exchange on 22 July 2015 (the "Last Trading Day"); and (ii) a premium of approximately 50% to the average closing price of HK$0.80 per share as quoted on the Stock Exchange from 16 July 2015 to 22 July 2015, both dates inclusive, being the last five consecutive trading days up to and including the Last Trading Day.

The aggregate of the Issue Price and the Exercise Price of HK$1.281 represent (i) a premium of approximately 75.48% to the closing price of HK$0.73 per share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a premium of approximately 60.13% to the average closing price of HK$0.80 per share as quoted on the Stock Exchange from 16 July 2015 to 22 July 2015, both dates inclusive, being the last five consecutive trading days up to and including the Last Trading Day.

The Board considered that the issuance of the Warrants represents good opportunity to broaden the shareholders' base of the Company and to raise further capital which will strengthen the financial position of the Group for its future business development and general working capital requirement.

Completion of the issue of Warrants is conditional upon the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the subscription shares.

On 4 August 2015, the Company entered into a supplemental agreement with each of Mr. Lam and Mr. Chau, pursuant to which (i) the completion of the issue of the Warrants will be conditional upon the Company's shareholders approval at a general meeting of the Company in respect of the Subscription Agreements, including the issue of the Warrants and the grant of the specific mandate and for the allotment and issue of the subscription shares; and (ii) the deadline for the fulfillment of the conditions precedent under the Subscription Agreements has been postponed to 4 October 2015 or such other date as may be agreed between each of Mr. Lam and Mr. Chau and the Company in writing.

The aggregate proceeds from the subscription of the Warrants and the exercise of the Warrants in full (before deducting all the related costs and expenses) are estimated to be approximately HK$4,374,000 and HK$64,800,000 respectively. It is expected that net proceeds of approximately HK$4,074,000 (with a net issue price of approximately HK$0.075 per Warrant) will be raised upon the completion of the subscription of the Warrants and will be used for general working capital purpose. Assuming the subscription rights attaching to the Warrants are exercised in full, it is expected that up to approximately HK$64,800,000 will be raised for general working capital and future business development purposes of the Group.

On 30 September 2015, the Company entered into a deed of termination with each of Mr. Lam and Mr. Chau to terminate the Subscription Agreements, both with immediate effect. Pursuant to each of the deed of termination, each party released the other party from all obligations owed by them under the respective subscription agreement, without prejudice to the claims and debts that have already occurred under the respective subscription agreement prior to the execution of the deed of termination.

Details of the Subscription Agreements and the Warrants are set out in the announcements of the Company dated 22 July 2015, 4 August 2015 and 30 September 2015 respectively.

Discloseable Transaction – Acquisition of the 51% interest of WLS Limited

On 16 November 2015, Milan Station (Mansion) Limited ("MS Mansion"), an indirect wholly-owned subsidiary of the Company, entered into an agreement (the "Agreement") with Mr. Hau Wing Shing, Vincent, Ms. Lou Sun Yee, Barbara, Mr. Lou Wu Yee, Eddie and Ms. Ng Siu Yin, Fion (together, the "Four Vendors") to acquire the 51% interest of the issued share capital of WLS Limited from the Four Vendors, being 12.75% from each Vendor, for a total consideration of HK$3,000,000 (the "Acquisition"). The Group also conditionally commits to contribute up to HK$12,000,000 in cash to WLS Limited as its operating capital. The total consideration of the Acquisition was satisfied by cash.

The Four Vendors waived in writing part of the shareholders' loan of WLS Limited in the amount of HK$932,657 on or before the completion of the Acquisition.

MS Mansion will make a loan of HK$8,000,000 to WLS Limited as operating capital (10% of which was paid upon the signing of the Agreement and the balance had already paid upon completion of the Acquisition). If WLS Limited can successfully set up a wholly-owned company in Mainland China to operate a retail store within three years after the completion of the Acquisition, MS Mansion will further make a loan of HK$4,000,000 to WLS Limited as operating capital.

On 19 November 2015, all conditions precedent to the Acquisition had been fulfilled and the Acquisition was completed. Following the completion of the Acquisition, WLS Limited has become an indirect 51% owned subsidiary of the Company, and the financial results of WLS Limited shall be consolidated into the consolidated financial statements of the Company.

Details of the Acquisition are set out in the announcements of the Company dated 16 November 2015 and 19 November 2015, 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 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, 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$41.4 million.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2015, the Company complied with all applicable code provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except for the following deviations.

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

Under code provision A.6.7 of the CG Code, all independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Yuen Lai Yan, Darius, a Non-executive Director, and Mr. So, Stephen Hon Cheung, an Independent Non-executive Director, were unable to attend the annual general meeting and the extraordinary general meeting of the Company, both held on 5 June 2015 due to their other business engagements.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2015 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 2015 (2014: 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 2015 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 2016.

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

Hong Kong, 23 March 2016

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat, Mr. YIU Kwan Wai, Gary and Mr. CHOI Wai Kwok, Andy 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. CHAN Chi Hung and Mr. TOU Kin Chuen as Independent Non-executive Directors.