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 2016

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2016 was approximately HK$318.8 million, representing a decrease of 20.2% from approximately HK$399.7 million for the year ended 31 December 2015.

- Gross profit for the year ended 31 December 2016 was approximately HK$66.6 million, representing a decrease of 27.3% from approximately HK$91.7 million for the year ended 31 December 2015.

- Selling expenses for the year ended 31 December 2016 were approximately HK$69.8 million, representing a decrease of 25.9% of approximately HK$94.2 million for the year ended 31 December 2015, mainly due to decrease in rental expenses for the closure of certain retail shops.

- Loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK$72.8 million, representing a decrease of 50.9% from approximately HK$48.2 million for the year ended 31 December 2015.

- The Board has resolved not to declare a final dividend for the year ended 31 December 2016.

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 2016 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
REVENUE	*4*	**318,802**	399,679
Cost of sales		**(252,154)**	(308,007)
Gross profit		**66,648**	91,672
Other (loss)/income and gains, net	*4*	**(628)**	16,044
Selling expenses		**(69,788)**	(94,216)
Administrative and other operating expenses		**(70,098)**	(60,858)
Finance costs	*5*	**(206)**	(428)
LOSS BEFORE TAX	*6*	**(74,072)**	(47,786)
Income tax expense	*7*	**287**	(849)
LOSS FOR THE YEAR		**(73,785)**	(48,635)
Attributable to:			
Owners of the Company		**(72,820)**	(48,242)
Non-controlling interests		**(965)**	(393)
		(73,785)	(48,635)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*9*	**HK(10.3 cents)**	HK(7.14 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 2016

	2016	2015
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(73,785)**	(48,635)
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(290)**	(2,669)
Fair value gain on revaluation of available-for-sale investments	**65,305**	–
Reclassified on disposal of a subsidiary	**–**	99
Total other comprehensive income/(loss) for the year	**65,015**	(2,570)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(8,770)**	(51,205)
Attributable to:		
Owners of the Company	**(7,668)**	(50,634)
Non-controlling interests	**(1,102)**	(571)
	(8,770)	(51,205)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Note	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**13,129**	14,612
Intangible assets		**4,203**	4,768
Available-for-sale investments	*12*	**91,306**	2,600
Investments in convertible bonds		**7,468**	–
Deposits		**2,314**	10,576
Total non-current assets		**118,420**	32,556
CURRENT ASSETS			
Inventories		**63,112**	115,056
Trade receivables	*10*	**4,272**	9,168
Prepayments, deposits and other receivables		**51,473**	14,345
Other financial assets		**2,911**	–
Tax recoverable		**485**	1,265
Cash and cash equivalents		**50,797**	82,069
Total current assets		**173,050**	221,903
CURRENT LIABILITIES			
Trade and other payables	*11*	**22,381**	19,619
Obligations under finance leases		**1,469**	353
Provisions		**–**	18
Tax payable		**826**	942
Total current liabilities		**24,676**	20,932
NET CURRENT ASSETS		**148,374**	200,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**266,794**	233,527

	Note	2016 *HK$'000*	2015 *HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		**3,430**	507
Provisions		**239**	266
Other liabilities		**–**	4,554
Deferred tax liabilities		**624**	788
Total non-current liabilities		**4,293**	6,115
NET ASSETS		**262,501**	227,412
EQUITY			
Issued capital		**8,136**	6,775
Reserves		**251,566**	216,736
Equity attributable to owners of the Company		**259,702**	223,511
Non-controlling interests		**2,799**	3,901
TOTAL EQUITY		**262,501**	227,412

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

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

In the current year, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on or after 1 January 2016.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKFRs (Amendments)	Annual Improvement to HKFRSs 2014-2016 Cycle[5]

[1] *Effective for annual periods beginning on or after 1 January 2017, 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 1 January 2019, with earlier application permitted.*

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

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

The Group is in the process of assessing the potential impact of the above new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs will have a significant impact on the Group's financial performance and position.

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	Macau	Mainland China	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2016					
Revenue from external customers	291,580	8,576	18,646	–	318,802
Non-current assets	17,275	36	21	–	17,332
Capital expenditure	9,745	–	83	–	9,828
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

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 (2015: Nil) and no information about major customers is presented accordingly.

Information about major products

	2016	2015
	HK$'000	*HK$'000*
Handbags	**293,658**	393,094
Other products	**25,144**	6,585
	318,802	399,679

4. REVENUE AND OTHER (LOSS)/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:

	2016	2015
	HK$'000	HK$'000
Revenue		
Sale of goods	**318,802**	399,679
Other (losses)/income		
Bank interest income	**151**	294
Total interest income on financial assets not at fair value through profit or loss	**151**	294
Change on fair value of other financial assets	**221**	–
Change on fair value of financial assets at fair value through profit or loss	**(572)**	–
(Loss)/gain on disposal of property, plant and equipment	**(19)**	12,947
Gain on disposal of subsidiaries	**–**	2,805
Forfeiture of deposit received	**–**	1,045
Licensing income	**–**	1,019
Gross rental income from a sublease arrangement	**1,713**	2,069
Interest income from investments in convertible bonds	**212**	–
Impairment of available-for-sale investments	**(2,600)**	(3,000)
Impairment of amount due from an available-for-sale investment	**–**	(1,700)
Others	**266**	565
	(628)	16,044

5. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**7**	390
Finance lease charges	**199**	38
	206	428

6. LOSS BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**252,154**	308,007
Write down for slow-moving inventories included in cost of inventories recognised as an expense	**3,590**	682
Depreciation		
– owned assets	**5,881**	7,563
– assets under finance lease	**1,423**	749
	7,304	8,312
Amortisation of intangible assets	**565**	71
Net exchange (gain)/loss	**(375)**	208
Loss on write-off of rental deposits	**–**	680
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**41,998**	58,738
– Contingent rentals	**3,803**	894
	45,801	59,632
Auditors' remuneration	**1,000**	1,040
Loss on write-off of property, plant and equipment	**28**	812
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	**32,111**	31,259
Pension scheme contributions	**1,204**	1,012
Equity-settled share option expense	**–**	1,895
	33,315	34,166

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 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% (2015: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2015: 12%) on the estimated taxable profits. The subsidiary in Singapore is subject to Singapore income tax at the rate of 17% (2015: 17%).

	2016 ***HK$'000***	2015 *HK$'000*
Current – Hong Kong		
Charge for the year	**–**	180
(Overprovision)/Underprovision in prior years	**(180)**	95
Current – Elsewhere		
Charge for the year	**–**	–
Underprovision in prior years	**57**	–
Deferred	**(164)**	574
Total tax charge for the year	**(287)**	849

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2016 (2015: 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$72,820,000 (2015: HK$48,242,000) and the weighted average of 704,940,000 ordinary shares (2015: 675,773,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 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:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**4,076**	9,007
1 to 2 months	**12**	32
2 to 3 months	**15**	8
Over 3 months	**169**	121
	4,272	9,168

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,076**	9,007
1 to 3 months past due	**29**	60
Over 3 months past due	**167**	101
	4,272	9,168

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:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**3,036**	173
1 to 2 months	**5,520**	517
2 to 3 months	**–**	30
Over 3 months	**47**	53
	8,603	773

12. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Listed equity investments, at fair value		
Hong Kong	**91,306**	–
Unlisted equity investments, at cost		
Overseas	**–**	2,600

Available-for-sale investments are stated at fair values which are determined with reference of quoted market bid prices.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Hong Kong has been situated in a very competitive and challenging condition in 2016, due to the unfavorable domestic and international factors, and unexpected slowdown in some emerging markets. Official statistics released by the Census and Statistics Department showed that, the value of total retail sales in the 2016 decreased by 8.1% as compared to the corresponding year of 2015.

Several factors have contributed to this decline in retail sales. The primary reasons are the soft global environment and a downturn in Hong Kong tourism saw Hong Kong's economic growth slowdown as well, especially with the unabated decrease in Mainland tourist arrivals to Hong Kong since March 2015.

In addition, Mainland China's economic slowdown eroded consumer confidence which worsened by the strong Hong Kong dollar and depreciating Renminbi and contributed further to the slowdown in the number of Mainland visitors to Hong Kong while stimulating outbound travel by local consumers in 2016. According to the Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong fell by 6.7% year on year to about 42.7 million in 2016, outpacing the 4.5% decline in the total number of visitor arrivals to the city which was about 56.6 million.

The restrictions placed on the frequency of visits by Shenzhen permanent residents, reducing from multiple-entry permits to one-visit-one-week permits upon renewal, have continuously impacted the flow of Mainland tourist arrivals seriously as the majority of Mainland tourists are now day-trippers. Meanwhile, structural changes in the Mainland China tourist mix towards tourists arriving from lower-tier cities in Mainland China with less spending power has impacted the average ticket size. The local social uncertainties also imposed negative factors on the overall Hong Kong retail markets.

BUSINESS REVIEW

During the year, the performance of the Group was affected by the economic slowdown and the deteriorating luxury retail market. During the year, the Group's total revenue decreased by approximately 20.2% to approximately HK$318.8 million. The revenues generated in the markets of Hong Kong, Mainland China and Macau accounted for 91.5%, 5.8% and 2.7% respectively of the Group's revenue. The Group's gross profit at approximately HK$66.6 million, which was decreased by 27.3% as compared to last year. The net loss for the year increased by 51.7% to HK$73.8 million due to the absence of one-off gain of approximately HK$12.9 million on the disposal of a property as recognised in the corresponding year of 2015 and the loss arising from closure of certain shops of the Group in the PRC during the year.

Hong Kong

During the year, sales of the Group in Hong Kong dropped by 15.2% to approximately HK$291.6 million. The revenue came from the 11 "Milan Station" retail stores, the 14 "THANN" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

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

In view of the downturn of retail backdrop, rental of prime location dropped since 2015, easing the rental cost pressure on the industry. Despite an expectation of continuous retail declination strengthening the bargaining power of retails against landlords, the Group remained prudent on the store network expansion strategy. During the year, there were five new luxury retail stores opened in Kwai Fong, Shatin, Tuen Mun, Yuen Long and Tseung Kwan O respectively and three "THANN" new retail stores were opened in Mongkok, Admiralty and Kwai Fong respectively. The Group will cautiously analyse the rental momentum when considering future new lease to optimize the operating efficiency of the Group in Hong Kong.

During the year, the Group expand its business presence into financial industry by way of securities investment with a view to generate reasonable returns to the shareholders in the form of capital appreciation. As at 31 December 2016, the Group held the listed securities in Hong Kong with the fair value of HK$91.3 million under available for sales investments and recognised a gain on fair value change in the investment of HK$65,305,000 (2015: Nil) in other comprehensive income, which was reflected in the "investment revaluation reserve". No impairment was determined and recognised for the investment during the year. In light of the recent volatile financial market in Hong Kong, the Group will closely monitor the performance of this business and does not intend to disposal of these investment in the near future as the Group considered that the investments have ample growth potential in view of their business development. The Group will keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

On 14 October 2016, the Group entered into a sale and purchase agreement with an independent third party, to subscribed the convertible bonds with 2.5% coupon rates per annum of China e-Wallet Payment Group Limited (formerly known as RCG Holdings Limited) ("CEWPG") with a conversion price of HK$0.25 per share at a cash consideration of HK$10,000,000. The investment was split between the debt instruments without the conversion option and the equity conversion option. A gain on the fair value change of the equity conversion option of approximately HK$221,000 which are recognised in profit or loss. The Group does not intend to disposal of this investment in the near future.

Mainland China

During the year, the Group eliminated unprofitable stores as we rightsized our portfolio by closing two stores in Mainland China. As a results, the revenue decreased by 52.7% to approximately HK$18.6 million as compared to the same period last year.

Macau

The gambling industry and tourism industry in Macau shrunk in recent years, which greatly bombarded the Group's business locally. The business performance of its points of sale in exclusive clubhouses was unsatisfactory. The Group's revenue from the Macau market declined by 44.9% to approximately HK$8.6 million.

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.

Significant Investments

The Group held significant investments under available-for-sale investments as below:

			As at 31 December 2016		
Company	**Stock code**	**Percentage of shareholding**	**Investment cost**	**Carrying amount**	**Approximate percentage to the total assets**
		(approximately)	*HK$'000*	*HK$'000*	
Tai Kam Holdings Limited	8321	0.95%	2,701	75,537	25.9%
Others			23,304	15,769	5.4%
			26,005	91,306	

Outlook

China's economic slowdown and the downtrend in mainland Chinese tourist arrivals in Hong Kong will persist in the coming years. The continuous rises in the United States' benchmark interest rate could further weaken the Renminbi against the Hong Kong dollar. This could be another factor to further decline the mainland Chinese tourists' visits to Hong Kong in the coming years. Fortunately, the International Monetary Fund expects economic activity in both advanced economies and emerging market and developing economies to accelerate in 2017 and 2018, with global growth projected moderately higher than 2016.

The international economies uncertainty will persist and make the coming years challenging. Also with social and political issues and intensive competition, the retail market in Hong Kong will remain stagnant. The consistent pressure on Renminbi will continue and affect the purchasing power of the Chinese consumers, and consequently exacerbate the downtrend in mainland Chinese tourists' visits to Hong Kong.

With regards to the tightening government policies, Hong Kong and Macau continue to experience a decrease in the number of visiting tourists, with a negative year-on-year growth in visitors showing signs of entrenchment. In particular, as being affected by the transition of Individual Visit Endorsements, from "multiple-entry" to "one trip per week", the number of Mainland visitor arrivals in Hong Kong is lesser than expected, while they are still active around the globe, have been increasingly turning to other overseas destinations for holidays and shopping.

In order to implement effective cost controls, we shall continue our policy of store consolidation with aggressive rental cuts targeted at tourists' stores or through complete closures. We shall reposition our stores more in the residential areas with better growth prospects and returns, as well as locating them in the New Territories districts. We shall optimize our store network to maximize store profitability, and we shall simplify and centralize workflows at store level to increase productivity and reduce costs. In terms of stock management, we shall reduce inventories more aggressively and clear slow moving stocks to better display productive goods.

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. During this year, the Group starts entering into the domestic watches market with trading of the luxury watches by leveraging on its brand influence. At the same time, the Group expand its business presence into financial industry with a view to generate reasonable returns to the shareholders. 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.

Development Strategy

Looking ahead, the Group will continue to consolidate and increase its market share in Hong Kong, focusing on brand image building, promoting domestic consumption and developing diversified business as its core strategy, enlarge the second-hand handbags market share and developing the trading of luxury watches market. 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 2017, the Group will focus on the development of mid-priced market and second-hand handbags market and trading of luxury watches 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.

After the acquisition of THANN in 2015, the Group opened 3 THANN retail stores in local consumer shopping malls of Hong Kong business district in 2016. The Group also plans to introduce the THANN brand to enter into the Mainland China market. 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. 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.

FINANCIAL REVIEW

Revenue

During the year, total revenue decreased to approximately HK$318.8 million, representing a decrease of 20.2% as compared to approximately HK$399.7 million recorded in last year. Handbags were the most important product category for the Group, representing over 92.1% of the total revenue of the Group. The revenue generated from the sales of unused products decreased to approximately HK$228.5 million recorded in last year, representing 71.7% of the total revenue of the Group.

Since most of the retail shops under the brand name of "Milan Station" are located in Hong Kong, the source of revenue also concentrates in the Hong Kong market. For the year ended 31 December 2016, the revenue generated from the Hong Kong market was approximately HK$291.6 million, representing approximately 91.5% of the total revenue of the Group. Revenue generated from the Mainland China market decreased from approximately HK$39.3 million last year to approximately HK$18.6 million during the year ended 31 December 2016. Revenue generated from the Macau market decreased from approximately HK$15.6 million during the last year to approximately HK$8.6 million during the year ended 31 December 2016.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2016 and 2015 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				
	2016		2015		
	HK$ million	***Percentage of total revenue %***	*HK$ million*	*Percentage of total revenue %*	*Percentage change in revenue %*
By product categories (handbags and other products)					
Handbags	**293.7**	**92.1**	393.1	98.3	(25.3)
Other products	**25.1**	**7.9**	6.6	1.7	280.3
Total	**318.8**	**100.0**	399.7	100.0	(20.2)
By product categories (unused and second-hand products)					
Unused products	**228.5**	**71.7**	299.8	75.0	(23.8)
Second-hand products	**90.3**	**28.3**	99.9	25.0	(9.6)
Total	**318.8**	**100.0**	399.7	100.0	(20.2)
By price range of products					
Within HK$10,000	**76.7**	**24.1**	64.9	16.2	18.2
HK$10,001 – HK$30,000	**53.9**	**16.9**	73.3	18.3	(26.5)
HK$30,001 – HK$50,000	**18.3**	**5.7**	24.8	6.2	(26.2)
Above HK$50,000	**169.9**	**53.3**	236.7	59.3	(28.2)
Total	**318.8**	**100.0**	399.7	100.0	(20.2)
By geographical locations					
Hong Kong	**291.6**	**91.5**	343.9	86.0	(15.2)
The PRC	**18.6**	**5.8**	39.3	9.8	(52.7)
Macau	**8.6**	**2.7**	15.6	4.0	(44.9)
Singapore	**–**	**–**	0.9	0.2	(100.0)
Total	**318.8**	**100.0**	399.7	100.0	(20.2)

Cost of sales

For the year ended 31 December 2016, cost of sales for the Group was approximately HK$252.2 million, decreased by 18.1% 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$25 million to approximately HK$66.6 million, with its gross profit margin decreased slightly from 22.9% to 20.9%.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 15.36%, -41.4% and 28.27%, respectively (2015: 22.9%, 22.1% and 25.0%, respectively).

Inventory

The Group's total inventories as at 31 December 2016 and 2015 were HK$63.1 million and HK$115.1 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 129 days for the year ended 31 December 2016 (2015: 138.8 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	
	2016	2015
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**18,359**	33,122
91 to 180 days	**3,510**	23,770
181 days to 1 year	**9,569**	22,841
Over 1 year	**20,501**	32,682
Total	**51,939**	112,415

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	
	2016	2015
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**9,290**	751
46 to 90 days	**1,271**	895
91 days to 1 year	**456**	848
Over 1 year	**156**	147
Total	**11,173**	2,641

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	
	2016	2015
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**5,941**	20,597
91 to 180 days	**661**	12,567
181 days to 1 year	**1,946**	13,972
Over 1 year	**4,529**	10,849
Total	**13,077**	57,985

Other (loss)/income and gains, net

During the year ended 31 December 2016, other loss amounted to approximately HK$0.6 million, significant decreased by HK$16.7 million as compared to other income and gains amounted to approximately HK$16.0 million in last year. It was mainly attributable to the absence of the one-off gain on disposal of a property of approximately HK$12.9 million as recognised in 2015 and the loss arising from closure of certain shops of the Group in PRC in 2016.

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 2016, selling expenses of the Group were approximately HK$69.8 million, representing 21.9% of the Group's revenue (2015: approximately HK$94.2 million, representing 23.5% of the Group's revenue). Selling expenses decreased mainly due to the commission paid to an independent third party who runs the exclusive clubhouses in Macau.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2016 amounted to approximately HK$70.1 million, increased by approximately HK$9.2 million as compared to last year on a year-on-year basis, representing approximately 22% of the revenue. The Group's administrative and other operating expenses mainly consisted of the rental expenses for the closure of certain retail shops, 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$0.2 million in 2016, decreased by HK$0.2 million as compared to last year.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year ended 31 December 2016 was approximately HK$72.8 million, representing a decrease of 50.9% from approximately HK$48.2 million for the year ended 31 December 2015. Loss per share attributable to the owners of the Company was approximately HK10.3 cents for the year ended 31 December 2016, as compared to approximately HK7.14 cents for the year ended 31 December 2015.

Employees and remuneration policy

As at 31 December 2016, the Group had a total of 124 employees (2015: 143 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 2016 and 31 December 2015, the Group did not have any bank borrowing.

As at 31 December 2016, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$50.8 million, HK$29.0 million and HK$259.7 million respectively (2015: approximately HK$82.1 million, HK$27.0 million and HK$223.5 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2016 were approximately 1.9%, 7.0 and 4.5 respectively (2015: 0.3%, 10.6 and 5.1 respectively).

Pledge of assets

As at 31 December 2016 and 31 December 2015, the Group had no assets and bank deposits were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, 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 2016, the Group did not have any significant contingent liabilities.

Capital commitments

The Group did not have any capital commitments regarding any for purchase of property, plant and equipment as at 31 December 2016 and 31 December 2015.

Exercise of Share Options

On 15 June 2016, a total of 650,000 share options were exercised by a grantee of the Company to subscribe for 650,000 ordinary shares of HK$0.01 each under the share option scheme of the Company at an exercise price of HK$0.616 per share and the shares were issued on 16 June 2016. The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK$1.03 per share.

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 2016.

CAPITAL STRUCTURE AND TREASURY POLICIES

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

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Chau Shing Yip, Colin. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2017 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

EVENTS AFTER THE REPORTING PERIOD

On 29 March 2017, the Group entered into an acquisition agreement with an independent third party in relation to the acquisition of entire equity interest of Brenda Enterprises Limited, a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong, in cash consideration of HK$1,700,000.

Further details relating to the acquisition is more particularly set out in the Company's announcement dated 29 March 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITION OR DISPOSAL

There was no material acquisitions or disposal of subsidiaries and affiliated companies by the Group for the year ended 31 December 2016.

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

(i) The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$41.4 million.

(ii) The Company completed a placing on 19 October 2016, pursuant to which the Company has allotted 135,496,000 placing shares to not less than six placees at HK$0.329 per placing share. The net proceeds of the placing were approximately HK$43.5 million. As at 31 December 2016, the Group had utilized HK$30.7 million of the net proceeds of the placing as general working capital, approximately HK$12.8 million of unused proceed was placed in the bank account of the Group.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2016, 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.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Yiu Kwan Tat, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 6 June 2016 due to his other business engagements.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2016 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 2016 (2015: 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 2016 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 2017.

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

Hong Kong, 31 March 2017

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat, Mr. YIU Kwan Wai, Gary, Mr. CHOI Wai Kwok, Andy, Mr. HU Bo and Ms. CAO Huiquan as Executive Directors; Mr. CHAU Shing Yip, Colin, Mr. CHAN Chi Hung and Mr. TOU Kin Chuen as Independent Non-executive Directors.