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 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2017 was approximately HK$318.6 million, representing a decrease of 0.1% from approximately HK$318.8 million for the year ended 31 December 2016.

- Gross profit for the year ended 31 December 2017 was approximately HK$65.0 million, representing a decrease of 2.5% from approximately HK$66.6 million for the year ended 31 December 2016.

- Selling expenses for the year ended 31 December 2017 were approximately HK$67.5 million, representing a decrease of 3.3% of approximately HK$69.8 million for the year ended 31 December 2016.

- Loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK$80.8 million, representing an increase of 10.9% from approximately HK$72.8 million for the year ended 31 December 2016.

- The Board has resolved not to declare a final dividend for the year ended 31 December 2017.

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 2017 together with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
REVENUE	*4*	**318,619**	318,802
Cost of sales		**(253,645)**	(252,154)
Gross profit		**64,974**	66,648
Other (loss)/income and gains, net	*4*	**(21,687)**	(628)
Selling expenses		**(67,508)**	(69,788)
Administrative and other operating expenses		**(56,127)**	(70,098)
Finance costs	*5*	**(944)**	(206)
LOSS BEFORE TAX	*6*	**(81,292)**	(74,072)
Income tax expense	*7*	**(144)**	287
LOSS FOR THE YEAR		**(81,436)**	(73,785)
Attributable to:			
Owners of the Company		**(80,784)**	(72,820)
Non-controlling interests		**(652)**	(965)
		(81,436)	(73,785)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*9*	**HK(9.9 cents)**	HK(10.3 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 2017

	2017 *HK$'000*	2016 *HK$'000*
LOSS FOR THE YEAR	**(81,436)**	(73,785)
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	**167**	(290)
Fair value gain on revaluation of available-for-sale investments	**–**	65,305
Reclassification adjustment relating to available-for-sale investments disposed of during the year	**(65,305)**	–
Total other comprehensive (loss)/income for the year	**(65,138)**	65,015
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(146,574)**	(8,770)
Attributable to:		
Owners of the Company	**(145,922)**	(7,668)
Non-controlling interests	**(652)**	(1,102)
	(146,574)	(8,770)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,802**	13,129
Intangible assets		**3,638**	4,203
Available-for-sale investments	*13*	**3,582**	91,306
Investments in convertible bonds		**–**	7,468
Deposits		**2,378**	2,314
Total non-current assets		**20,400**	118,420
CURRENT ASSETS			
Inventories		**46,729**	63,112
Trade receivables	*10*	**5,930**	4,272
Loan receivables	*11*	**4,729**	–
Prepayments, deposits and other receivables		**25,311**	51,473
Financial assets through profit and loss	*14*	**16,412**	–
Other financial assets		**–**	2,911
Tax recoverable		**291**	485
Cash and cash equivalents		**30,348**	50,797
Total current assets		**129,750**	173,050
CURRENT LIABILITIES			
Trade and other payables	*12*	**25,166**	22,381
Obligations under finance leases		**1,312**	1,469
Tax payable		**1,150**	826
Total current liabilities		**27,628**	24,676
NET CURRENT ASSETS		**102,122**	148,374
TOTAL ASSETS LESS CURRENT LIABILITIES		**122,522**	266,794

	Notes	**2017**	2016
		HK$'000	*HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		**2,118**	3,430
Provisions		**90**	239
Deferred tax liabilities		**444**	624
Total non-current liabilities		**2,652**	4,293
NET ASSETS		**119,870**	262,501
EQUITY			
Issued capital		**8,136**	8,136
Reserves		**112,029**	251,566
Equity attributable to owners of the Company		**120,165**	259,702
Non-controlling interests		**(295)**	2,799
TOTAL EQUITY		**119,870**	262,501

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.

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")

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 "Disclosure Initiative"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The Group's liabilities arising from financing activities consist of obligation under finance lease.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKAS 12 "Recognition of Deferred Tax Assets for Unrealised Losses"

The Group has applied these amendments for the first time in the current year. The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Group's consolidated financial statements as the Group already assesses the sufficiency of future taxable profits in way that is consistent with these amendments.

Annual Improvement to HKFRSs 2014-2016 Cycle

The Group has applied the amendments to HKFRS 12 included in the Annual Improvements to HKFRSs 2014 – 2016 Cycle for the first time in the current year. The other amendments included in this package are not yet mandatorily effective and they have not been early adopted by the Group.

HKFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal group that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of HKFRS 12 for such interests.

The application of these amendments has had no effect on the Group's consolidated financial statements as none of the Group's interests in these entities are classified, or included in a disposal group that is classified, as held for sale.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

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 2017					
Revenue from external customers	307,623	10,274	722	–	318,619
Non-current assets	14,413	26	1	–	14,440
Capital expenditure	3,895	–	–	–	3,895
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

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 (2016: Nil) and no information about major customers is presented accordingly.

Information about major products

	2017 ***HK$'000***	2016 *HK$'000*
Handbags	**281,034**	293,658
Other products	**37,585**	25,144
	318,619	318,802

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 (loss)/income and gains, net, is as follows:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**318,619**	318,802
Other (loss)/income and gains, net		
Bank interest income	**10**	151
Change on fair value of other financial assets	**(139)**	221
Fair value loss on financial assets through profit and loss		
– Unrealised	**(1,469)**	–
– Realised	**(3,376)**	–
Gain/(loss) on disposal of available-for-sale investments	**1,487**	(572)
Impairment loss on available-for-sale investments	**(19,720)**	(2,600)
Loss on disposal of property, plant and equipment	**(109)**	(19)
Interest income on loan receivables	**1,037**	–
Gain on acquisition of a subsidiary	**58**	–
Gross rental income from a sublease arrangement	**–**	1,713
Interest income from investments in convertible bonds	**335**	212
Others	**199**	266
	(21,687)	(628)

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank overdrafts	**2**	7
Finance lease charges	**248**	199
Interest expenses on loan payable	**694**	–
	944	206

6. LOSS BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories recognised as an expense	**253,645**	252,154
Write down for slow-moving inventories included in cost of inventories recognised as an expense	**2,564**	3,590
Depreciation		
– owned assets	**4,083**	5,881
– assets under finance lease	**2,013**	1,423
	6,096	7,304
Amortisation of intangible assets	**565**	565
Net exchange gain	**(107)**	(375)
Operating lease rentals in respect of rented premises		
– Minimum lease payments	**39,776**	41,998
– Contingent rentals	**3,044**	3,803
	42,820	45,801
Share-based payment expenses	**6,385**	–
Auditors' remuneration	**1,000**	1,000
Loss on write-off of property, plant and equipment	**–**	28
Loss on write-off from closure of store	**17**	3,975
Employee benefit expenses (excluding directors' emoluments)		
Salaries, wages and other benefits	**29,637**	32,111
Pension scheme contributions	**1,179**	1,204
Equity-settled share option expense	**–**	–
	30,816	33,315

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2016: 12%) on the estimated taxable profits.

	2017	2016
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**132**	–
Over-provision in prior years	**–**	(180)
Current – Elsewhere		
Charge for the year	**192**	–
Underprovision in prior years	**–**	57
Deferred	**(180)**	(164)
Total tax charge for the year	**144**	(287)

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2017 (2016: 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$80,784,000 (2016: HK$72,820,000) and the weighted average of 813,633,000 ordinary shares (2016: 704,940,000) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2017 and 2016 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. The diluted and basic loss per share are the same for both years.

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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**4,830**	4,076
1 to 2 months	**91**	12
2 to 3 months	**6**	15
Over 3 months	**1,003**	169
	5,930	4,272

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**4,902**	4,076
1 to 3 months past due	**161**	29
Over 3 months past due	**867**	167
	5,930	4,272

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. LOAN RECEIVABLES

The Group's loan receivables, which arise from the money lending business in Hong Kong, secured loan receivable are secured collaterals provided by customers, bearing interest and are repayable with fixed terms agreed with Group's customers.

An aged analysis of the loan receivables as at the reporting period, based on the terms of loan is as follows:

	2017
	HK$'000
Within 3 months	**1,226**
3 to 6 months	**7**
Over 6 months	**3,496**
	4,729

12. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**446**	3,036
1 to 2 months	**–**	5,520
2 to 3 months	**–**	–
Over 3 months	**18**	47
	464	8,603

The credit period on purchase of goods ranges from 0 to 30 days.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments, at fair value		
Hong Kong	**3,582**	91,306

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

14. FINANCIAL ASSETS THROUGH PROFIT AND LOSS

	2017	2016
	HK$'000	*HK$'000*
Listed equity investments, at fair value		
Hong Kong	**16,412**	–

Financial assets through profit and loss are stated at fair values which are determined with reference of quoted market bid prices.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The economy in Hong Kong continued to expand throughout 2017, with a remarkable 3.8% growth. The 2016 downturns in Hong Kong retail market eventually came to an end, and the market was on the way back towards stability and growth.

The Hong Kong retail market showed a moderate recovery pace during the year. The Census and Statistics Department has published Report on Monthly Survey of Retail Sales, which shows that the value of total retail sales in December 2017, provisionally estimated at $44.8 billion, increased by 5.8% over the same month in 2016.

The Renminbi began to revalue following a three-year depreciation, and it recorded an 8% appreciation against the Hong Kong Dollars during the year, which substantially led to a recovery in mainland Chinese tourist arrivals to Hong Kong in 2017. According to the Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong in 2017 grew by 3.9% year on year to about 44.4 million as compared to the corresponding year of 2016, of which same-day visitors and overnight visitors increased by 2% and 6.7% respectively. The number of Mainland tourist arrivals stabilizing as the impact of the one-trip-per-week restriction was fully absorbed and neutralized.

Despite the Hong Kong retail market has shown signs of recovery, with the flow of Mainland tourist arrivals stabilizing, the inbound tourism and local consumption attitude continued to stay in a low level, mainly due to the prudence behavior to the overheating economy in Hong Kong. Additionally, cross-border conflicts in Hong Kong deterred visitors from shopping over the past years. The growing trend towards a higher proportion of the mainland Chinese tourists with lower spending power might not contribute much to the sales of deluxe goods in the Hong Kong. The consumption behavior of mainland visitors has been changing over the past few years. They desire for experiencing the city’s culture and history in greater depth, rather than the high expenditure on luxury brands.

As for the Macau market, the typhoon caused a significant damage and disruption to the city during August and September 2017, but the negative impact on the retail market was temporarily and has gradually rebound. The value of retail sales steadily increased in 2017. According to the latest statistics released by the Government of Macao Special Administrative Region Statistics and Census Service, the value of total retail sales in 2017 increased by 12.6%, when comparing with the same period last year. Such increase boosted our performance in the Macau market.

BUSINESS REVIEW

During the year, the performance of the Group was affected by the deteriorating luxury retail market. During the year, the Group's total revenue decreased by approximately 0.1% to approximately HK$318.6 million. The revenues generated in the markets of Hong Kong, Mainland China and Macau accounted for 96.5%, 0.2% and 3.3% respectively of the Group's revenue. The Group's gross profit at approximately HK$65.0 million, which was decreased by 2.5% as compared to last year. The net loss for the year increased by 10.4% to HK$81.4 million mainly due to the impairment loss on available-for-sales investment of approximately HK$19.7 million.

Hong Kong

During the year, sales of the Group in Hong Kong increased by 5.5% to approximately HK$307.6 million. The revenue came from the 10 "Milan Station" retail stores, the 8 "THANN" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

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

As at 31 December 2017, the Group held the listed securities in Hong Kong with the fair value of HK$3.6 million under available for sales investments and HK$16.4 million under financial assets at fair value through profit or loss. The Group recognised a realised gain on disposal of available-for-sales investment of approximately HK$1.5 million, a reversal of gain of HK$65.3 million in other comprehensive income and an impairment loss on available-for-sales investment of approximately HK$19.7 million (2016: gain of approximately HK$65.3 million in other comprehensive income). The Group also recognised a unrealised loss and realised loss on financial assets at fair value through profit or loss of approximately HK$1.5 million and 3.4 million respectively. In light of the recent volatile financial market in Hong Kong, the Group will closely monitor the performance of this business and keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

On 4 May 2017, the Group exercised its right attaching to the convertible bonds of China e-wallet Payment Group Limited to convert the convertible bonds in an aggregate principal amount of HK$10,000,000 into 40,000,000 conversion shares at the prevailing conversion price of HK$0.25 per conversion share.

Mainland China

During the year, the Group eliminated unprofitable stores as we rightsized our portfolio by closing stores in Mainland China. As a results, the revenue decreased by 96.2% to approximately HK$0.7 million as compared to the same period last year.

Macau

The gambling industry and tourism industry in Macau steadily improved during the year. The Group's revenue from the Macau market increased by 19.8% to approximately HK$10.3 million.

Overseas Market

In 2016, 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 2017				As at 31 December 2016			
Company	**Stock code**	**Percentage of shareholding** *(approximately)*	**Investment cost** *HK$'000*	**Carrying amount** *HK$'000*	**Approximate percentage to the total assets**	**Percentage of shareholding** *(approximately)*	**Investment cost** *HK$'000*	**Carrying amount** *HK$'000*	**Approximate percentage to the total assets**
Tai Kam Holdings Limited	8321	–	–	–	–	0.95%	2,701	75,537	25.9%
Others			23,304	3,582	2.4%		23,304	15,769	5.4%
			23,304	3,582			26,005	91,306	

For the year ended 31 December 2017, the Group recognised a realised gain on investment in Tai Kam Holding Limited of approximately HK$1.5 million and recognised an impairment loss on other available-for-sale investments of approximately HK$19.7 million.

The Group held significant investments under financial assets at fair value through profit or loss as below:

Company	**Stock code**	**As at 1 January 2017** *HK$'000*	**Loss on disposal** *HK$'000*	**Fair value gain/(loss)** *HK$'000*	**As at 31 December 2017** *HK$'000*	**Percentage of shareholding** *(approximately)*	**Approximate percentage to the total assets**
China e-wallet payment Group Limited	802	–	–	5,107	15,600	1.46%	10.4%
Others		–	(3,376)	(6,576)	812	1.5%	0.5%
		–	(3,376)	(1,469)	16,412		

Outlook

With a stabilizing year of 2017 on the Hong Kong retail market, the Group is prudently optimistic about its business performance in 2018.

The domestic demand to the retail market is foreseeably strong in the coming year. According to the salient features of economic performance released by the Government, there are several positive factors to the Hong Kong retail market in 2018. The domestic demand is expected to be robust, regarding the favorable labor market and upbeat economic sentiment. The Government forecasts the domestic demand to remain resilient, with a real GDP growth forecast of 3-4% in 2018, and the medium term forecast of real GDP growth rate to 2022 will be 3% per annum. The Hong Kong retail market may benefit from the persistent growing trend in the economy.

Hong Kong will continue to be irrigated by the Belt and Road Initiative, Guangzhou-Shenzhen-Hong Kong Express Rail Link and Road Initiative, and Guangdong-Hong Kong-Macau Bay Area development. Such arrangements by the Chinese Government will bring positive impact to the retail market by bringing more tourists will high purchasing power to Hong Kong. The positive impacts to Hong Kong may start in the second half year in 2018, since the Hong Kong-Zhuhai-Macau Bridge, and Guangzhou-Shenzhen-Hong Kong Express Rail Link and Road Initiative will open to traffic in the second and third quarter in 2018 respectively.

In order to implement effective cost controls, we shall continue our policy of store consolidation with aggressive rental cuts targeted at tourist 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 optimise our store network to maximise store profitability, and we shall simplify and centralise 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. 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 management believes, with the tremendous efforts by all our staff, the Group will strengthen our competitiveness, overcome the challenges in 2018 and continue our growth with the diverting business model.

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 competitiveness and coping with the current challenges in retail markets.

In 2018, 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, the Group opened 8 THANN retail stores in local consumer shopping malls of Hong Kong business district. 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$318.6 million, representing a decrease of 0.1% as compared to approximately HK$318.8 million recorded in last year. Handbags were the most important product category for the Group, representing over 88.2% of the total revenue of the Group. The revenue generated from the sales of unused products increased to approximately HK$233.2 million recorded in last year, representing 73.2% 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 2017, the revenue generated from the Hong Kong market was approximately HK$307.6 million, representing approximately 96.5% of the total revenue of the Group. Revenue generated from the Mainland China market decreased from approximately HK$18.6 million last year to approximately HK$0.7 million during the year ended 31 December 2017. Revenue generated from the Macau market increased from approximately HK$8.6 million during the last year to approximately HK$10.3 million during the year ended 31 December 2017.

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2017 and 2016 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				
	2017		2016		
		Percentage of total revenue		*Percentage of total revenue*	*Percentage change in revenue*
	HK$ million	***%***	*HK$ million*	*%*	*%*
By product categories (handbags and other products)					
Handbags	**281.0**	**88.2**	293.7	92.1	(4.3)
Other products	**37.6**	**11.8**	25.1	7.9	49.8
Total	**318.6**	**100.0**	318.8	100.0	(0.1)
By product categories (unused and second-hand products)					
Unused products	**233.2**	**73.2**	228.5	71.7	2.1
Second-hand products	**85.4**	**26.8**	90.3	28.3	(5.4)
Total	**318.6**	**100.0**	318.8	100.0	(0.1)
By price range of products					
Within HK$10,000	**72.0**	**22.6**	76.7	24.1	(6.1)
HK$10,001–HK$30,000	**55.7**	**17.5**	53.9	16.9	3.3
HK$30,001–HK$50,000	**18.2**	**5.7**	18.3	5.7	(0.5)
Above HK$50,000	**172.7**	**54.2**	169.9	53.3	1.6
Total	**318.6**	**100.0**	318.8	100.0	(0.1)
By geographical locations					
Hong Kong	**307.6**	**96.5**	291.6	91.5	5.5
The PRC	**0.7**	**0.2**	18.6	5.8	(96.2)
Macau	**10.3**	**3.3**	8.6	2.7	19.8
Singapore	**–**	**–**	–	–	–
Total	**318.6**	**100.0**	318.8	100.0	(0.1)

Cost of sales

For the year ended 31 December 2017, cost of sales for the Group was approximately HK$253.6 million, increased by 0.6% 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$1.7 million to approximately HK$65.0 million, with its gross profit margin decreased slightly from 20.9% to 20.4%.

Inventory

The Group's total inventories as at 31 December 2017 and 2016 were HK$46.7 million and HK$63.1 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 improved to 79 days for the year ended 31 December 2017 (2016: 129 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	
	2017	2016
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**18,478**	18,359
91 to 180 days	**7,847**	3,510
181 days to 1 year	**7,969**	9,569
Over 1 year	**10,563**	20,501
Total	**44,857**	51,939

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	
	2017	2016
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**256**	9,290
46 to 90 days	**731**	1,271
91 days to 1 year	**742**	456
Over 1 year	**143**	156
Total	**1,872**	11,173

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	
	2017	2016
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**11,057**	5,941
91 to 180 days	**3,667**	661
181 days to 1 year	**2,343**	1,946
Over 1 year	**2,553**	4,529
Total	**19,620**	13,077

Other (loss)/income and gains, net

During the year ended 31 December 2017, other loss amounted to approximately HK$21.7 million, significant increased by HK$21.1 million as compared to other loss amounted to approximately HK$0.6 million in last year. It was mainly attributable to the impairment loss on available-for-sale investment of approximately HK$19.7 million.

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 2017, selling expenses of the Group were approximately HK$67.5 million, representing 21.2% of the Group's revenue (2016: approximately HK$69.8 million, representing 21.9% of the Group's revenue). Selling expenses decreased mainly due to the decrease in rental expenses of the retail stores.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2017 amounted to approximately HK$56.1 million, decreased by approximately HK$14.0 million as compared to last year on a year-on-year basis, representing approximately 17.6% 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. The decrease in administrative and other operating expenses was mainly due to the decrease in directors' remuneration.

Finance costs

Finance costs of the Group mainly consisted of interest expenses on bank borrowings and finance lease. Finance costs amounted to approximately HK$0.9 million in 2017, increased by HK$0.7 million as compared to last year. The increase in finance cost was mainly due to the interest expense incurred in the new subsidiary acquired in March 2017.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK$80.8 million, representing an increase of 10.9% from approximately HK$72.8 million for the year ended 31 December 2016. Loss per share attributable to the owners of the Company was approximately HK9.9 cents for the year ended 31 December 2017, as compared to approximately HK10.3 cents for the year ended 31 December 2016.

Employees and remuneration policy

As at 31 December 2017, the Group had a total of 94 employees (2016: 124 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 2017 and 31 December 2016, the Group did not have any bank borrowing.

As at 31 December 2017, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$30.3 million, HK$30.3 million and HK$120.2 million respectively (2016: approximately HK$50.8 million, HK$29.0 million and HK$259.7 million respectively). The Group's gearing ratio, current ratio and quick ratio as at 31 December 2017 were approximately 2.9%, 4.7 and 3.0 respectively (2016: 1.9%, 7.0 and 4.5 respectively).

Pledge of assets

As at 31 December 2017 and 31 December 2016, 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 2017, 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 2017 and 31 December 2016.

Grant of Share Options

On 27 July 2017 (the "Date of Grant"), the Board granted 67,420,000 share options under the share option scheme adopted by the Company on 28 April 2011 (the "Share Option Scheme") at an exercise price of HK$0.175 per share, which represents the highest of (i) the closing price of HK$0.175 per Share on the Date of Grant; (ii) the average closing price of HK$0.146 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 27 July 2017.

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 2017.

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. Choi Kam Yan, Simon. 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

There has not been significant events took place subsequent to 31 December 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2017, 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 2017.

USE OF NET PROCEEDS

(i) The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$10.3 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 places at HK$0.329 per placing share. The net proceeds of the placing were approximately HK$43.5 million. As at 31 December 2017, the Group had utilized the net proceeds of the placing as general working capital as intended.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the year ended 31 December 2017, 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.

REVIEW OF FINANCIAL STATEMENTS

The consolidated financial statements of the Group for the year ended 31 December 2017 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 2017 (2016: 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 2017 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 2018.

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

Hong Kong, 28 March 2018

As at the date of this announcement, the Board comprises Mr. HU Bo and Ms. CAO Huijuan as Executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. Choi Kam Yan Simon as Independent Non-executive Directors.