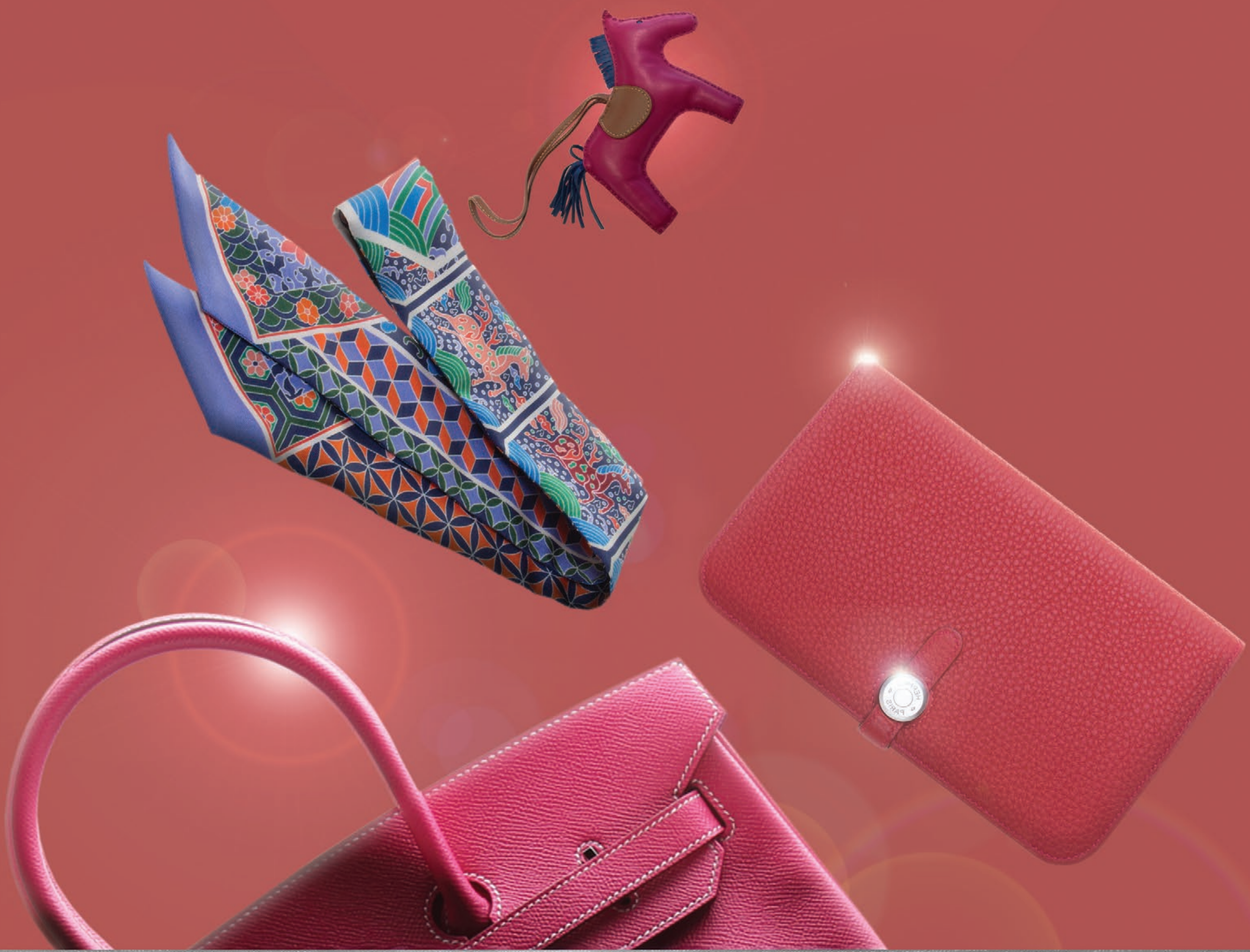


2015
ANNUAL REPORT

米蘭站
Milan Station

Stock Code: 1150

米蘭站控股有限公司
MILAN STATION HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yiu Kwan Tat
(Chairman)
Mr. Yiu Kwan Wai, Gary
(Managing Director)
Mr. Choi Wai Kwok, Andy
(Chief Executive Officer)

Non-executive Directors

Mr. Tam B Ray, Billy
Mr. Yuen Lai Yan, Darius

Independent Non-executive Directors

Mr. So, Stephen Hon Cheung
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

AUDIT COMMITTEE

Mr. So, Stephen Hon Cheung
(Chairman of audit committee)
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

REMUNERATION COMMITTEE

Mr. Tou Kin Chuen
(Chairman of remuneration committee)
Mr. So, Stephen Hon Cheung
Mr. Chan Chi Hung
Mr. Yiu Kwan Tat

NOMINATION COMMITTEE

Mr. Yiu Kwan Tat
(Chairman of nomination committee)
Mr. So, Stephen Hon Cheung
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

AUDITORS

Crowe Horwath (HK) CPA Limited
9/F, Leighton Centre
77 Leighton Road
Causeway Bay, Hong Kong

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. Yiu Kwan Wai, Gary
Mr. Chan Kwong Leung, Eric

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 1-3, 4th Floor, Tower 1
South Seas Centre, No. 75 Mody Road
Kowloon, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

OCBC Wing Hang Bank Limited
DBS Bank (Hong Kong) Limited
China CITIC Bank International Limited

THE PRC

China Construction Bank Corporation
DBS Bank (China) Limited

Financial Highlights

The following table sets forth certain financial ratio of Milan Station Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") as of the date for the years indicated:

		Year ended 31 December	
	Notes	**2015**	2014
Profitability ratio			
Gross profit margin *(%)*	1	**22.9%**	21.7%
Net loss margin *(%)*	2	**(12.2)%**	(8.7)%
Return on assets *(%)*	3	**(19.1)%**	(16.5)%
Return on equity *(%)*	4	**(21.4)%**	(19.8)%
Liquidity ratio			
Current ratio	5	**10.6**	4.4
Quick ratio	6	**5.1**	2
Gearing ratio *(%)*	7	**0.3%**	7.7%
Inventory turnover days	8	**138.8**	101.6

Notes:

1. Gross profit margin is calculated based on the gross profit for the year divided by revenue and multiplied by 100%.

2. Net loss margin is calculated based on the loss for the year divided by revenue and multiplied by 100%.

3. Return on assets is calculated based on the loss for the year divided by the total assets at the end of the year and multiplied by 100%.

4. Return on equity is calculated based on the loss for the year divided by total equity at the end of the year and multiplied by 100%.

5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

6. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the year.

7. Gearing ratio is calculated based on the borrowings and obligations under a finance lease divided by total assets at the end of the year and multiplied by 100%.

8. Inventory turnover days is calculated based on the average of opening and closing inventory balances for the year, divided by the total cost of sales during the year multiplied by the number of days for the respective year incurring cost of sales.

Chairman's Statement

Dear Shareholders,

In 2015, facing the challenging of retail market business environment, the Group continued to adjust its development strategies to adapt changing market trends, such measures include actively expanding our cost-effective diversified businesses, integrating traditional sales networks and adjusting product portfolio.

Looking back into 2015, the global economy lacked growth drivers. Despite the US economy was gradually stabilized, however, the Eurozone economy remained weak and global financial market continued to fluctuate, which further affected market confidence. The slowdown in China's economic growth, coupled with Renminbi depreciation and stock market slump, had significantly reduced tourism and consumption sentiments of the citizens in both Mainland China and Hong Kong. The retail industry in Mainland China and even in Hong Kong and Macau continued to face downward pressure and the luxury market faced severe challenges directly.

In facing uncertain market environment, the Group continued to actively integrate traditional retail networks and enrich product portfolio to cater for consumers' changing preferences. During the year, the Group acquired 51% equity interests in WLS Limited, in which the latter holds THANN, a quality natural aroma and skincare product brand, with an aim to further enrich our product portfolio, promote local consumption and enhance the business operation of the Group. The Group also kept abreast of the changes in the rental market, and reviewed and adjusted the outlet portfolio from time to time to ensure that the site selected for the outlets met the requirements for cost effectiveness. Under the economic conditions that lacked growth drivers, the retail outlets of the Group located at local consumer markets still achieved higher profits and it is the Group's plan to enter into other local consumer markets. The annual sales at the Group's operations in Hong Kong decreased by 23.9% to approximately HK$343.9 million as compared to the corresponding period last year.

China's economic growth faced downward pressure which bombarded the luxury goods industry that is closely linked to economic cycle. The decrease in consumption power in Mainland China, rapid changes in consumer preferences and anti-corruption movement by the central government resulted the luxury goods markets in China continued low development momentum during the year, which had affected our domestic market total sales and decreased by 43.8% to approximately HK$39.3 million as compared to the corresponding period last year. To reduce costs, during the year, the Group shut down outlets in Shanghai and sub-let certain retail area in the Beijing outlets to other retailers. Therefore, the losses of the Group from the business in China market decreased during the year.

The gaming industry and tourism industry in Macau touched its trough last year and affected our Macau business seriously. During the year, the Group shut down the retail outlets in Macau, the points of sale performance of exclusive clubhouses were also unsatisfactory. The revenue of the Group in Macau market decreased by 80.8% to approximately HK$15.6 million as compared to last year. 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.

Chairman's Statement

Looking forward to 2016, the global economy still has many uncertainties and it is expected China's economic growth will slowdown under the new normal state due to structural reforms. Although it is expected that retail market condition will remain weak in a short run, however, we are cautiously optimistic about the Group's business development prospects. In the future, we will continue to monitor closely the market trends and take flexible measures and at the same time continue to invest resources on brands and businesses to achieve a long term and sustainable growth.

Our core development strategies are to continue consolidating our leading position in the Hong Kong market, further promote local consumption, expand diversified businesses targeting at capturing the development potential of the second-hand handbags market, and at the same time take a prudent approach to develop the Mainland China market. Specifically, we will open retail stores in Hong Kong to cater for local consumer market, negotiate rent concession with landlords aiming at controlling rental costs, focus on mid-priced brands sales to improve our gross profit margin, reposition our staff to enhance operation efficiency, actively search for the opportunities to acquire profitable businesses, enrich the brand portfolio of the Group to attract more potential customers.

Finally, I would like to take this opportunity to express my gratitude to the fellow members of the Board, the management and staff for their contribution to Milan Station in the past year and to shareholders and customers for their long-lasting support to Milan Station. In 2016, we will keep up our efforts and innovative spirit to experiment with different approaches to business development with the aim of generating appropriate returns to our shareholders.

Yiu Kwan Tat
Chairman

Hong Kong, 23 March 2016

MARKET OVERVIEW

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

BUSINESS REVIEW

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

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

Hong Kong

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

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

Management Discussion and Analysis

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

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

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

A loyal customer base is an important asset of the Group. During the year, the Group continued to cooperate with various banks, hotels and retail partners to provide various sales promotions and offer sales discounts. In the future, the Group plans to cooperate with other popular retail partners to offer members with more surprises. For many years, the Group fully utilized the media power to enhance brand exposure and popularity. In addition to conduct promotion through traditional media platforms such as TV station and newspapers, the Group actively facilitated more cost effectiveness publicity, and utilized emerging media channels including social media and search banners to enhance brand image.

Macau

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

Mainland China

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

Overseas Market

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

Outlook

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

Development Strategy

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

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

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

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

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

The table below sets out the breakdown of the Group's revenue recorded for the years ended 31 December 2015 and 2014 by product categories, by price range of products and by geographical locations and their respective percentages to the total revenue of the Group:

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

Cost of sales

For the year ended 31 December 2015, cost of sales for the Group was approximately HK$308 million, decreased by 36.1% year-on-year. Cost of sales mainly consisted of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the year under review decreased by HK$42 million to approximately HK$91.6 million, with its gross profit margin increased slightly by 1.3% to 22.9%.

Gross profit margins of the Group's operations in Hong Kong, Mainland China, Macau and Singapore were 22.9%, 22.1%, 25.0% and 28.8%, respectively (2014: 18.3%, 26.9%, 34.9% and 28.5%, respectively).

Inventory

The Group's total inventories as at 31 December 2015 and 2014 were HK$115 million and HK$119 million respectively. The total inventories of the Group are recorded after netting of the provision for slow-moving inventories. Inventory turnover days of the Group deteriorated to 138.8 days for the year ended 31 December 2015 (2014: 101.6 days).

The following table sets forth an aging analysis of inventories for the Group's handbag products as at 31 December of the two comparative years:

	31 December	
	2015	2014
	HK$'000	HK$'000
Aging of inventories (handbags products)		
0 to 90 days	**33,122**	25,055
91 to 180 days	**23,770**	31,062
181 days to 1 year	**22,841**	40,536
Over 1 year	**32,682**	21,405
Total	**112,415**	118,058

The following table sets forth an aging analysis of inventories for the Group's other products as at 31 December of the two comparative years:

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

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK$50,000 as at 31 December of the two comparative years:

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

Other income and gains, net

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

Selling expenses

The major items of the Group's selling expenses include rent and rates, employee benefit expenses for sales staff and bank credit card charges. For the year ended 31 December 2015, selling expenses of the Group were approximately HK$94 million, representing 23.5% of the Group's revenue (2014: approximately HK$132 million, representing 21.5% of the Group's revenue). Selling expenses decreased mainly due to a decrease in rental expenses for retail shops.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the year ended 31 December 2015 amounted to approximately HK$60.9 million, increased by approximately HK$3.7 million as compared to last year on a year-on-year basis, representing approximately 15.2% of the revenue. The Group's administrative and other operating expenses mainly consisted of directors' remuneration, salaries and employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consisted of interest expenses on bank borrowings and finance lease. Finance costs amounted to approximately HK$0.4 million in 2015, decreased by HK$0.6 million as compared to last year.

Loss attributable to owners

Loss attributable to owners of the Company for the year ended 31 December 2015 was approximately HK$48.2 million, representing a decrease of 8.9% from approximately HK$52.9 million for the year ended 31 December 2014. Loss per share attributable to owners was approximately HK7.1 cents for the year ended 31 December 2015, as compared to approximately HK7.9 cents for the year ended 31 December 2014.

Employees and remuneration policy

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

Liquidity and financial resources

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

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

Pledge of assets

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

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, Renminbi ("RMB"), Euro ("EUR"), United States ("US") dollars and Singapore dollars. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group did not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at an acceptable level.

Contingent liabilities

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

Litigation

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

Capital commitments

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

Connected Transaction

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

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

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

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

Disposal of a property

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

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

Grant and Exercise of Share Options

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

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

Issue of Warrants

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Biographical Details

EXECUTIVE DIRECTORS

Mr. Yiu Kwan Tat, aged 47, is the Chairman of the Group and was appointed as an Executive Director on 1 November 2007. Mr. Yiu resigned as the Chief Executive Officer of the Company on 11 July 2014. He founded the Group in 2001 and is the controlling shareholder. Prior to founding the Group, Mr. Yiu ran his own business in selling second-hand clothing. Since the establishment of the Group, he has acquired the experiences in the fashion retail industry focusing on the luxury branded handbags and apparel products retail industry. During the ten years with the Group, he has been responsible for the overall management and strategic development of the Group, in particular, including deciding the business model and product portfolio offered by the Group, formulating the marketing position and pricing strategy, determining the location of the Group's retail shops and expansion plan, formulating internal control guidelines of the Group covering the purchasing procedures, product examination and sales transactions process. He is the brother of Mr. Yiu Kwan Wai, Gary.

Mr. Yiu Kwan Wai, Gary, aged 45, was appointed as an Executive Director on 13 October 2010 and the Managing Director of the Group. Prior to joining the Group in 2001, he has the experience in selling second-hand clothing. He joined the Group in 2001 and was a shop manager from 2004 to 2007. Being a shop manager, he was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. Starting from 2007, he was promoted as a district manager of the Group. Since then, his main duties were supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. He was promoted to chief operating officer of the Group in 2009 and is responsible for the overall management of the daily operation of the Group's retail shops. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about fifteen years of experience in the fashion retail industry. He is the brother of Mr. Yiu Kwan Tat.

Mr. Choi Wai Kwok, Andy, aged 45, was appointed as an Executive Director on 1 April 2015 and was appointed as the Chief Executive Officer of the Company on 11 July 2014. He possesses extensive experience in the fashion and retail industry, focusing on overseeing strategic planning, operations, real estate, merchandising and marketing in Hong Kong and China. He worked as the chief executive officer (Mainland China) in G2000 (Apparel) Limited from 2006 to 2009 and the chief executive officer in Initial Fashion Company Limited from 2009 to 2014. Mr. Choi is the brother of Mr. Choi Wai Kei, the general manager (China) of the Group.

NON-EXECUTIVE DIRECTORS

Mr. Tam B Ray, Billy, aged 47, was appointed as a Non-executive Director on 28 April 2011. He has been a practicing solicitor in Hong Kong for over 20 years. He is currently a partner of Messrs. Ho & Tam. Mr. Tam holds a Bachelor Degree of Laws from the University of London, a Bachelor Degree of the PRC Laws from Tsinghua University, a Master Degree of Business Administration from The Chinese University of Hong Kong, and a Master Degree of Laws from The University of Hong Kong. He is currently an independent non-executive director of China Fortune Financial Group Limited, a company listed on the Main Board of the Stock Exchange, and independent non-executive director of Sky Net Group Limited (formerly known as EDS Wellness Holdings Limited), a company listed on the Growth Enterprise Market of the Stock Exchange ("GEM"). He was an independent non-executive director of China Natural Investment Company Limited (presently known as Silk Road Energy Services Group Limited) from November 2011 to June 2014, a company listed on the Main Board of the Stock Exchange. He was also an independent non-executive director of M Dream Inworld Limited (presently known as GET Holdings Limited) from June 2010 to November 2013 and non-executive director of Larry Jewelry International Company Limited from December 2010 to September 2014, companies listed on the GEM.

Biographical Details

Mr. Yuen Lai Yan, Darius, aged 46, was appointed as a Non-executive Director on 30 August 2012. Mr. Yuen graduated from the University of Southern California, USA, with a Bachelor of Science Degree in Accounting. He is a certified public accountant of the State of Illinois, USA. Mr. Yuen has over 20 years' experience in capital markets, finance, accounting and private equity. Mr. Yuen held positions at BNP Paribas Capital (Asia Pacific) Limited from 1999 to 2008 until he resigned as the Managing Director and Head of equity capital markets department. He also held the position as the Senior Managing Director and Head of equity capital markets department at Bear Stearns Asia Limited in 2008. Mr. Yuen is currently a senior advisor at Lionrock Capital (Cayman) Limited and is also the founder of Sow Asia Foundation, a charity organization in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. So, Stephen Hon Cheung, aged 60, was appointed as an Independent Non-executive Director on 28 April 2011. Mr. So holds a bachelor degree of commerce from the University of British Columbia, Canada. Mr. So is a practicing accountant and a director of the accounting firm T.M. Ho, So & Leung CPA Limited. He is a member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Institute of Chartered Accountants of British Columbia, Canada and, a certified management accountant of the Society of Management Accountants of British Columbia and an associate member of the Association of International Accountants. Mr. So is a director of CINS Holding Corp. (formerly known as Genius World Investments Limited), a company listed in Canada, since September 2007. He currently is an independent non-executive director of PINE Technology Holdings Limited since September 2002 and Pinestone Capital Limited since 2015, the shares of which are listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Skyworth Digital Holdings Limited from March 2000 to December 2014, which shares are listed on the Main Board of the Stock Exchange.

Mr. Chan Chi Hung, aged 42, was appointed as an Independent Non-executive Director on 22 July 2015. He holds a Bachelor of Science Degree with major in Economics with University of Minnesota, and is an alumni of Stanford Graduate School of Business with a certificate of Stanford Executive Program. He is currently an executive director of EPI (Holdings) Limited, a non-executive director of Build King Holdings Limited and an independent non-executive director of China Minsheng Drawin Technology Group Limited (formerly known as South East Group Limited), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was an executive director and the managing director of China Financial Leasing Group Limited during the period from April 2007 to July 2013, the shares of which are listed on the Main Board of the Stock Exchange. Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios. He started his career as a banker at J.P. Morgan Chase.

Mr. Tou Kin Chuen, aged 38, was appointed as an Independent Non-executive Director on 22 July 2015. He is the principal of Roger K.C. Tou & Co.. Mr. Tou graduated from the Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) with a Honours Diploma in Accounting in 2001. He has over 16 years' experience in audit, taxation, company secretarial, insolvency and finance. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong. He is currently an independent non-executive director of Sun Century Group Limited, the shares of which are listed on the Main Board of the Stock Exchange, and Sun International Resources Limited, the shares of which are listed on the GEM.

SENIOR MANAGEMENT

Mr. Chan Hon Leung, aged 45, is the chief marketing officer of the Group. He joined the Group as a shop manager in 2001 and was responsible for purchasing procedures and sales transactions process; performing the product examination and reviewing daily reports. In 2007, he was promoted to a district manager of the Group and was responsible for supervising and monitoring the Group's retail operation and provide in-house training for the techniques to distinguish genuine products from counterfeit products and the procedures of checking anti-counterfeit features. Since 2009, he was appointed to be chief marketing officer of the Group. He is now responsible for the overall management of marketing department which includes determining the product portfolio, formulating the marketing and pricing strategies of the Group. In addition, he is currently in charge of the in-house training courses including product knowledge and techniques for product examination. He is also a member of the design team of the Group and is responsible for the development of products under "MS" brand. Through his employment with the Group, he has acquired about ten years of experience in the fashion retail industry.

Mr. Choi Wai Kei, aged 42, is the General Manager (China) of the Group. He joined the Group in 2013 and has over seventeen years of experience in practical retail operations and sales management in Hong Kong, China and Southeast Asia. He is currently responsible for overseeing the Group's retail operation in certain cities in China. Mr. Choi is the brother of Mr. Choi Wai Kwok, Andy, the Executive Director and the Chief Executive Officer.

Before joining the Group, he worked as the South China General Manager in High Fashion International Limited, a company listed on the Main Board of the Stock Exchange, from May 2011 to January 2013; National General Manager (Greater China) in Marchiori from October 2009 to April 2011; and Regional Sales Manager (China) in G2000 (Apparel) Limited from July 2005 to September 2009. Mr. Choi is the brother of Mr. Choi Wai Kwok, Andy, the Chief Executive Officer of the Company.

Mr. Luk Ka Kit, David, aged 45, is the financial controller of the Group. He joined the Group in 2014 and has over twenty years of professional experience in accounting and auditing. Before joining the Group, he worked as the management of Agnes b HK Limited, a multinational luxury retail brand company, from September 2008 to March 2014. He was also a financial controller of China Motion Telecom International Limited, a company listed on Main Board of the Stock Exchange, from August 2005 to September 2008. He became a member of Hong Kong Institute of Certified Public Accountants in 1999 and a fellow member of Hong Kong Institute of Certified Public Accountants in 2009. He obtained a Bachelor of Business Administration Degree from Hong Kong Baptist University in 1994.

Mr. Cheng Chung Yin, Bernardo, aged 47, is the district manager of the Group. He joined the Group in 2003 and was promoted to shop manager in 2007 and further to district manager in 2009. He is currently responsible for the management of the Group's retail operation in certain districts in Hong Kong. He obtained a Diploma in Management Studies awarded jointly by The Hong Kong Polytechnic University and The Hong Kong Management Association in 2001.

CORPORATE GOVERNANCE PRACTICE

The board of directors (the "Board") of the Company is committed to maintaining high standards of corporate governance and recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company had adopted the code provisions set out in the Corporate Governance Code (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange (the "Stock Exchange") as its own code of corporate governance practice.

During the year ended 31 December 2015 (the "Reporting Year"), the Company had complied with all applicable code provisions under the CG Code save as disclosed below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiries to the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the year ended 31 December 2015.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Group (comprising the Company and its subsidiaries) and oversees the Group's businesses, strategic decisions and performance. The Board has delegated the day-to-day responsibility to the Executive Directors and senior management who perform their duties under the leadership of the Chief Executive Officer.

The Board currently consists of eight members, including three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. At least one of our Independent Non-executive Directors has the professional and accounting qualifications as required by the Listing Rules.

The Board schedules at least four regular meetings a year and also meets as and when required. During the Reporting Year, the Board held nine meetings. The Company Secretary assists the Chairman in establishing the meeting agenda, and each Director may request inclusion of items in the agenda. 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. In addition to regular Board meetings, the Chairman of the Board met with the Non-executive Directors (including the Independent Non-executive Directors) without the presence of the Executive Directors.

All Directors have given sufficient time and attention to the affairs of the Group. Each Executive Director is suitably qualified for his position, and has sufficient experience to hold the position so as to carry out his duties effectively and efficiently.

The members of the Board and the attendance of each member during the Reporting Year are as follows:

	Directors	Number of attendance/ Eligible to attended
Executive Directors	Yiu Kwan Tat *(Chairman)*	9/9
	Yiu Kwan Wai, Gary *(Managing Director)*	7/9
	Choi Wai Kwok, Andy *(Chief Executive Officer) (appointed on 1 April 2015)*	7/7
Non-executive Directors	Tam B Ray, Billy	9/9
	Yuen Lai Yan, Darius	9/9
Independent Non-executive Directors	So, Stephen Hon Cheung	9/9
	Chan Chi Hung *(appointed on 22 July 2015)*	3/3
	Tou Kin Chuen *(appointed on 22 July 2015)*	3/3
	Fan Chun Wah, Andrew *(resigned on 1 August 2015)*	6/6
	Miu Ho Cheung, Gary *(resigned on 1 August 2015)*	4/6

Board and committee minutes are recorded in appropriate detail and draft minutes are circulated to all Directors and committee members for comments before being approved by the Board and relevant committees at their next immediate meeting or within the period accepted by them. All minutes are kept by the Company Secretary and are open for inspection by the Directors.

The Company has received annual confirmation of independence from each of Mr. So, Stephen Hon Cheung, Mr. Chan Chi Hung and Mr. Tou Kin Chuen and considers them to be independent.

The Board members have no financial, business, family or other material/relevant relationship with each other except those disclosed in the Directors' biographical details. Given the nature and business objectives of the Company, the Board has a balance of skill and experience appropriate for the requirements of the business of the Company. The list of Directors and their respective biographies are set out on pages 19 and 20 of this annual report.

Pursuant to Article 84 of the Articles of Association of the Company, at each annual general meeting of the Company one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting of the Company at least once every three year. All retiring Directors shall be eligible for re-election. All the Non-executive Directors (including the Independent Non-executive Directors) have been appointed for specific terms.

Article 83(3) of the Articles of Association of the Company provides that (i) any director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the shareholders after his appointment and be subject to re-election at such meeting, and (ii) any director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

The attendance of the Directors at the Annual General Meeting ("AGM") and Extraordinary General Meeting ("EGM"), both held on 5 June 2015, are as follows:

	Directors	**Number of attendance/ Eligible to attended**	
		AGM	**EGM**
Executive Directors	Yiu Kwan Tat *(Chairman)*	1/1	1/1
	Yiu Kwan Wai, Gary *(Managing Director)*	1/1	1/1
	Choi Wai Kwok, Andy *(Chief Executive Officer) (appointed on 1 April 2015)*	1/1	1/1
Non-executive Directors	Tam B Ray, Billy	1/1	1/1
	Yuen Lai Yan, Darius	0/1	0/1
Independent Non-executive Directors	So, Stephen Hon Cheung	0/1	0/1
	Chan Chi Hung *(appointed on 22 July 2015)*	0/0	0/0
	Tou Kin Chuen *(appointed on 22 July 2015)*	0/0	0/0
	Fan Chun Wah, Andrew *(resigned on 1 August 2015)*	1/1	1/1
	Miu Ho Cheung, Gary *(resigned on 1 August 2015)*	1/1	1/1

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

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors are encouraged to participate in continuing professional development to develop and refresh their knowledge and skills. The Company has devised a training record in order to assist the Directors to record the training they have undertaken and they are asked to submit a signed training record to the Company on quarterly basis.

During the Reporting Year, each individual Director has attended training courses or workshops relevant to his/her professional and/or duties as Director. A summary of the training they have received for the year ended 31 December 2015 is as follow:

	Directors	**Course/seminar provided/ accredited by professional body**	**Reading materials**
Executive Directors	Yiu Kwan Tat *(Chairman)*	–	✓
	Yiu Kwan Wai, Gary *(Managing Director)*	–	✓
	Choi Wai Kwok, Andy *(Chief Executive Officer)* *(appointed on 1 April 2015)*	–	✓
Non-executive Directors	Tam B Ray, Billy	✓	–
	Yuen Lai Yan, Darius	✓	✓
Independent Non-executive Directors	So, Stephen Hon Cheung	✓	–
	Chan Chi Hung *(appointed on 22 July 2015)*	✓	–
	Tou Kin Chuen *(appointed on 22 July 2015)*	–	✓
	Fan Chun Wah, Andrew *(resigned on 1 August 2015)*	✓	–
	Miu Ho Cheung, Gary *(resigned on 1 August 2015)*	✓	–

REMUNERATION COMMITTEE

The Remuneration Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board regarding the compensation of the Directors. In addition, the Remuneration Committee conducts reviews of the performance, and determines the compensation structure of the senior management.

During the Reporting Year, the Remuneration Committee comprises four Directors, a majority of whom are Independent Non-executive Directors. The Remuneration Committee held four meetings.

The members of the Remuneration Committee and the attendance of each member during the Reporting Year are as follows:

	Remuneration Committee Members	Number of attendance/ Eligible to attended
Independent Non-executive Directors	Tou Kin Chuen *(Chairman)* *(appointed on 22 July 2015)*	1/1
	So, Stephen Hon Cheung	4/4
	Chan Chi Hung *(appointed on 22 July 2015)*	1/1
	Fan Chun Wah, Andrew *(ceased as the chairman of the Remuneration Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	3/3
	Miu Ho Cheung, Gary *(ceased as a member of the Remuneration Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	1/3
Executive Director	Yiu Kwan Tat	4/4

During the Reporting Year, the Remuneration Committee performed the following duties:

(1) reviewed the year end bonus and remuneration packages (including salary adjustments) of the Executive Directors and senior management with recommendations to the Board for approval;

(2) reviewed the remuneration packages of the newly appointed Executive Director and Independent Non-executive Directors with recommendations to the Board for approval; and

(3) reviewed the proposals for the grant of the share options under the Company's share option scheme to the Non-executive Directors and the Independent Non-executive Directors to reward their contributions to the Group with recommendations to the Board for approval.

Pursuant to code provision B.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended 31 December 2015 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	7
HK$1,000,001 to HK$3,000,000	1
HK$3,000,001 to HK$6,500,000	2

Details of the remuneration of each Director for the year ended 31 December 2015 are set out in note 8 to the financial statements.

NOMINATION OF DIRECTORS

The Nomination Committee was established on 20 January 2012 with specific written terms of reference in compliance with the CG Code. During the Reporting Year, the Nomination Committee comprises four Directors, a majority of whom are Independent Non-executive Directors. The Nomination Committee held four meetings.

The Company seeks to achieve Board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualification, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Company will also take into consideration factors based on its own business model and specific needs from time to time in determining the optimum composition of the Board.

The members of the Nomination Committee and the attendance of each member during the Reporting Year are as follows:

	Nomination Committee Members	**Number of attendance/ Eligible to attended**
Executive Director	Yiu Kwan Tat *(Chairman)*	2/2
Independent Non-executive Directors	So, Stephen Hon Cheung	2/2
	Chan Chi Hung *(appointed on 22 July 2015)*	0/0
	Tou Kin Chuen *(appointed on 22 July 2015)*	0/0
	Fan Chun Wah, Andrew *(ceased as a member of the Nomination Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	2/2
	Miu Ho Cheung, Gary *(ceased as a member of the Nomination Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	0/2

During the Reporting Year, the Nomination Committee performed the following duties:

(a) reviewed the structure, size and diversity (including without limitation, gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service) of the Board;

(b) assessed the independence of all Independent Non-executive Directors;

(c) made recommendations to the Board on the nomination of Directors for re-election at the annual general meeting of the Company; and

(d) identified individual suitably qualified to become the Executive Director and Independent Non-executive Directors and made recommendation to the Board on the selection of individual nominated for the Executive Director and Independent Non-executive Directors.

AUDIT COMMITTEE

The Audit Committee was established on 28 April 2011 with specific written terms of reference in compliance with the CG Code. In December 2015, on the recommendation of the Audit Committee, the Board has approved and adopted the revised terms of reference of the Audit Committee in light of the amendments of CG Code, and the same published on the websites of the Stock Exchange and the Company.

The Audit Committee is responsible for reviewing and supervising the financial reporting process and internal control system of the Group and providing advice and comments to the Board.

During the Reporting Year, the Audit Committee held three meetings.

The members of the Audit Committee and the attendance of each member during the Reporting Year are as follows:

	Audit Committee Members	**Number of attendance/ Eligible to attended**
Independent Non-executive Directors	So, Stephen Hon Cheung *(Chairman)*	3/3
	Chan Chi Hung *(appointed on 22 July 2015)*	2/2
	Tou Kin Chuen *(appointed on 22 July 2015)*	2/2
	Fan Chun Wah, Andrew *(ceased as a member of the Audit Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	1/1
	Miu Ho Cheung, Gary *(ceased as a member of the Audit Committee on 22 July 2015 and resigned as Director on 1 August 2015)*	1/1

During the Reporting Year, the Audit Committee performed the following duties:

(a) reviewed and discussed with the management of the Company the accounting principles and practices adopted by the Group as well as financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2015 and the audited financial statements for the year ended 31 December 2014 with recommendation to the Board for approval;

(b) reviewed reports on internal control system covering corporate governance, internal control, financial, operational (including information security) and compliance functions;

(c) considered the independent auditor's independence and fee in relation to the unaudited interim financial statements of the Group for the six months ended 30 June 2015 and the audited financial statements of the Group for the year ended 31 December 2014;

(d) recommended the Board on the re-establishment of the Internal Audit Department of the Group; and

(e) recommended the Board on the adoption of the revised terms of reference of the Audit Committee.

All members of the Audit Committee possess in-depth experience in their own profession. The Chairman of the Audit Committee, Mr. So, Stephen Hon Cheung, possesses appropriate professional qualifications in finance and accounting and meets the requirements of Rule 3.21 of the Listing Rules. No member of the Audit Committee is a former partner of the existing auditing firm of the Company during one year after he ceases to be partner of the auditing firm.

AUDITORS' REMUNERATION

During the Reporting Year, the Group was charged HK$1,040,000 for auditing services and HK$222,000 for non-auditing services by the Company's auditors, Crowe Horwath (HK) CPA Limited.

Services rendered	**Fees/paid payable**
	HK$'000
Audit services – annual audit	1,040,000
Non-audit services:	
Review of interim results	82,000
Taxation services	140,000
	1,262,000

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE AND INDEMNITY

To indemnify Directors and officers of the Company against all costs, charges, losses, expenses and liabilities incurred by them in the executive of and discharge of their duties or in relation thereto, the Company has arranged insurance cover for this purpose.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for the preparation of the accounts of the Group for the relevant accounting periods under applicable statutory and regulatory requirements which give true and fair view of the state of affairs, the results of operations and cash flows of the Group. In preparing the accounts for the six months ended 30 June 2015 and for the year ended 31 December 2015, the Directors have adopted suitable accounting policies and applied them consistently. The accounts for the Reporting Year have been prepared on a going concern basis.

The reporting responsibilities of the Company's external auditors, Crowe Horwath (HK) CPA Limited, are stated in the "Independent Auditors' Report" on pages 47 to 48 of this annual report.

CORPORATE GOVERNANCE MEASURES IN RELATION TO NON-COMPETITION UNDERTAKINGS

In accordance with the non-competition undertakings set out in the deed of non-competition dated 28 April 2011 executed by the controlling shareholders (comprising Mr. Yiu Kwan Tat and his wholly-owned company, Perfect One Enterprises Limited) in favour of the Company ("Deed of Non-Competition"), save and except the exceptional circumstances, the controlling shareholders of the Company have undertaken to the Company that they shall not carry on any business which is in competition with the business of the Group in Hong Kong, the PRC and Macau, details of which are more particularly set out in the prospectus of the Company dated 11 May 2011.

The following corporate governance measures have been adopted to monitor the compliance of the Deed of Non-Competition during the Reporting Year:

(a) The controlling shareholders had procured the Independent Non-executive Directors to review, on annual basis, the compliance with the Deed of Non-Competition by the controlling shareholders and their respective associates, or first rights of refusal provided by the controlling shareholders and their respective associates on their existing or future competing businesses.

(b) The controlling shareholders had promptly provided all information necessary for the annual review by the Independent Non-executive Directors and the enforcement of the Deed of Non-Competition and provided to the Company a written confirmation relating to the compliance of the Deed of Non-Competition and made an annual declaration on compliance with the Deed of Non-Competition in the annual report of the Company for the year ended 31 December 2015.

(c) The Independent Non-executive Directors having reviewed the relevant information and the written confirmation provided by the controlling shareholders decided that the undertakings in respect of the Deed of Non-Competition had been duly enforced and complied with by the controlling shareholders during the Reporting Year.

INTERNAL CONTROLS

The internal control system of the Group is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss, and to mitigate rather than eliminate risks of failure in the operational systems and achievements of the Group's business objectives.

The Board has, through an independent auditor, conducted interim and annual reviews of the effectiveness of the internal control system of the Group covering the Group's corporate governance, internal control, financial, operational (including information security) and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board also ensures the internal controls are in place and functioning properly as intended. Moreover, in view of the relatively straight forward business of the Group, it was unanimously resolved that the internal control functions shall be outsourced to external professional internal control reviewers to replace the relinquished internal control department. The Group will keep periodic review of the new practice to ensure the internal control functions are always operating effectively and properly as intended.

The Group has a formal whistle-blowing policy to encourage and guide its staff to raise serious concerns internally in a responsible manner, without fear of retribution. During the year under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Group has the Inside Information Policy which sets out guidelines to the Directors and senior management of the Group to ensure inside information of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

COMPANY SECRETARY

The Company's secretarial functions are outsourced to external service provider. Ms. Wong Woon Yuk, Angela, the former Chief Operating Officer of the Group, was the primary contact person of the Company with the external service provider during the period from 1 January 2015 to 24 April 2015. Subsequent to Ms. Wong's resignation on 24 April 2015. Mr. Luk Ka Kit, David, the Financial Controller of the Group, is the primary contact person of the Company with the external service provider.

According to Rule 3.29 of the Listing Rules, Mr. Chan Kwong Leung, Eric, the Company Secretary of the Company, has taken no less than 15 hours of the relevant professional training during the Reporting Year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company established a shareholders' communication policy and reviews it on a regular basis to ensure its effectiveness. The Company communicates with the shareholders (the "Shareholders"), the potential investors or the investment community (collectively, the "Investors") of the Company mainly in the following ways:

(a) the holding of annual general meetings and extraordinary general meetings, if any, which may be convened for specific purpose and provide opportunities for the Shareholders and Investors to communicate directly with the Board;

(b) the publication of interim and annual reports, circulars, announcements and notice of shareholder meetings as required under the Listing Rules and/or press releases of the Company providing updated information of the Group; and

(c) the latest information of the Group will be available on the websites of the Stock Exchange and the Company.

The annual general meetings shall be called by notice of not less than 21 clear days and not less than 20 clear business days prior to the date of meetings and any extraordinary general meetings at which the passing a special resolution is to be considered shall be called by notice of not less than 21 clear days and not less than 10 clear business days prior to the date of meetings. All other extraordinary general meetings may be called by notice of not less than 14 clear days and not less than 10 clear business days prior to the date of meetings.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting by Shareholders

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself/herself/themselves may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Sending Enquiries and Proposals to the Board

Shareholder(s) may send in their enquiries and put forward proposals to the Board of the Company by sending the same to:

The Chairman
Milan Station Holdings Limited
Units 1-3, 4th Floor, Tower 1
South Seas Centre
No. 75 Mody Road
Kowloon, Hong Kong

OR

Email: ms_ir@milanstation.net

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

There is no significant change in the Company's constitutional documents during the Reporting Year.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 are provided in the "Chairman Statement" and "Management Discussion and Analysis" on pages 5 to 6 and pages 7 to 18, respectively, of this annual report.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 49 to 111 of this annual report.

The Board has resolved not to declare a final dividend for the year ended 31 December 2015 (2014: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2 June 2016 to Monday, 6 June 2016 (both days inclusive), during which period no transfer of shares will be registered, for the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 1 June 2016.

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

The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$41.5 million.

As at 31 December 2015, the net proceeds of initial public offering ("IPO") had been utilised as follows:

	Actual net IPO proceeds upon the full exercise of the over-allotment option on 23 May 2011	Revised allocation on 2 November 2011	Amount utilised up to 31 December 2012	Balance as at 31 December 2012	Amount utilised for the year end 31 December 2013	Balance as at 31 December 2013	Amount utilised for the year end 31 December 2014	Balance as at 31 December 2014	Amount utilised for the year end 31 December 2015	Balance as at 31 December 2015
	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
Expansion of retail network in the PRC market	148.0	113.5	41.7	71.8	24.7	47.1	8.9	38.2	–	38.2
Decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau	12.0	12.0	5.5	6.5	2.9	3.6	3.5	0.1	–	0.1
Marketing and promotion of the Group	17.0	17.0	2.9	14.1	6.6	7.5	7.2	0.3	0.3	–
Design and development of private label "MS" brand products	4.0	4.0	–	4.0	2.1	1.9	1.5	0.4	–	0.4
Exploration of online sales channel	2.4	2.4	2.4	–	–	–	–	–	–	–
Staff training and development	2.8	2.8	0.3	2.5	0.2	2.3	–	2.3	–	2.3
Upgrading of the Group's information technology system	3.2	3.2	1.9	1.3	0.8	0.5	–	0.5	–	0.5
General working capital	13.3	10.3	–	10.3	1.5	8.8	8.8	–	–	–
Acquisition of the property for own use	–	37.5	37.5	–	–	–	–	–	–	–
	202.7	202.7	92.2	110.5	38.8	71.7	30.0	41.8	0.3	41.5

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and restated/reclassified as appropriate, is set out on page 112 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in Company's issued share capital during the year are set out in note 27 to the financial statements.

Details of movements in the Company's share options during the year are set out in note 28 to the financial statements and pages 40 to 41 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles of Association") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company (the "Shareholders") unless otherwise required by the Stock Exchange.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2015 are set out in note 37 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution amounted to approximately HK$204,456,000, representing the share premium account and capital reserve of the Company of approximately HK$730,834,000 in aggregate less the accumulated losses as at 31 December 2015 of approximately HK$526,378,000. Under the Companies Law, Cap. 22 (as amended) of the Cayman Islands, the share premium account and capital reserve of the Company is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business. The share premium account and capital reserve may also be distributed in the form of fully paid bonus shares.

DONATIONS

During the year, the Group made charitable contributions totalling HK$44,000.

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2015, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's turnover and purchases, respectively.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

Report of the Directors

DIRECTORS

The Directors of the Company during the year were and up to the date of this annual report were:

Executive Directors:
- Mr. Yiu Kwan Tat *(Chairman)*
- Mr. Yiu Kwan Wai, Gary *(Managing Director)*
- Mr. Choi Wai Kwok, Andy *(Chief Executive Officer) (appointed on 1 April 2015)*

Non-executive Directors:
- Mr. Tam B Ray, Billy
- Mr. Yuen Lai Yan, Darius

Independent Non-executive Directors:
- Mr. So, Stephen Hon Cheung
- Mr. Chan Chi Hung *(appointed on 22 July 2015)*
- Mr. Tou Kin Chuen *(appointed on 22 July 2015)*
- Mr. Fan Chun Wah, Andrew *(resigned on 1 August 2015)*
- Mr. Mui Ho Cheung, Gary *(resigned on 1 August 2015)*

Mr. Fan Chun Wah, Andrew and Mr. Mui Ho Cheung, Gary resigned as Independent Non-executive Directors as each of them wished to allocate more time to their other business commitments.

Pursuant to Articles 84(1) and 84(2) of the Articles of Association, Mr. Yiu Kwan Tat and Mr. So, Stephen Hon Cheung shall retire by rotation from office at the forthcoming annual general meeting. Each of Mr. Yiu Kwan Tat and Mr. So, Stephen Hon Cheung, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

Pursuant to Article 83(3) of the Articles of Association, Mr. Chan Chi Hung and Mr. Tou Kin Chuen shall retire from office at the forthcoming annual general meeting. Each of Mr. Chan Chi Hung and Mr. Tou Kin Chuen, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

The directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report were:

Mr. Yiu Kwan Tat	Mr. Yiu Kwan Wai	Ms. Yiu Sau Wai
Mr. Choi Wai Kwok, Andy	Ms. Wang Xiaomei	Mr. Loi Win Yen
Mr. Hau Wing Shing, Vincent	Ms. Lou Sun Yee, Barbara	Ms. Zhang Qin

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its Independent Non-executive Directors an annual confirmation of their independence from the Group. Based on the confirmations, the Company considers that each of such Directors to be independent from the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 19 to 21 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Yiu Kwan Tat and Mr. Yiu Kwan Wai, Gary, (both Executive Directors), has renewed a service contract with the Company for another term of three years commencing on 28 April 2014, which may be terminated by not less than 3 months' notice in writing served by either party on the other.

Mr. Choi Wai Kwok, Andy, an Executive Director, has signed an employment contract with the Company's subsidiary for his appointment as the Chief Executive Officer on 11 July 2014. He has also signed a letter of appointment with the Company for his appointment as an Executive Director and is appointed for an initial term of 2 years commencing on 1 April 2015, which may be terminated by not less than 1 month's notice in writing serviced by either party or the other.

Each of Mr. Tam B Ray, Billy, a Non-executive Director, and Mr. So, Stephen Hon Cheung, an Independent Non-executive Director, has renewed a letter of appointment with the Company for another term of 1 year commencing on 28 April 2015, which may be terminated by not less than 1 month's notice in writing served by either party or the other.

Mr. Yuen Lai Yan, Darius, a Non-executive Director, has renewed a letter of appointment with the Company for another term of 1 year commencing on 30 August 2015, which may be terminated by not less than 1 month's notice in writing served by either party or the other.

Each of Mr. Chan Chi Hung and Mr. Tou Kin Chuen, both Independent Non-executive Directors, has signed a letter of appointment and is appointed for an initial term of 1 year commencing on 22 July 2015, which may be terminated by not less than 1 month's notice in writing served by either party or the other.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Save as disclosed above, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party during the year.

Directors are subject to retirement by rotation at least once every three years as required by the Articles of Association.

UPDATED INFORMATION OF DIRECTORS

The changes in the information of Directors are set out below pursuant to Rule 13.51B of the Listing Rules:

The emoluments of the Directors are determined by the Board having regard to the recommendation of the Remuneration Committee and with reference to the Directors' contributions, experience, relevant duties, responsibilities and performance and the results of the Group.

With effect from 1 January 2016, the Directors' entitlement to director fee and emoluments (which will be pro-rata to the period of services in the year of their appointments) for the year ending 31 December 2016 are as follows:

Name of Directors	Emoluments HK$
Mr. Yiu Kwan Wai, Gary	1,228,640
Mr. Choi Wai Kwok, Andy	4,205,600

DIRECTORS' REMUNERATION

The Directors' ordinary remuneration shall be subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' contributions, experience, relevant duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

Apart from the transactions disclosed in note 33 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries was a party during the year ended 31 December 2015.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the year ended 31 December 2015.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2015, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange:

Long Positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				
Name of Director	Personal Interest	Corporate Interest	Family Interest	Total	Approximate percentage of issued share capital
Mr. Yiu Kwan Tat	–	375,500,000 *(Note)*	–	375,500,000	55.43%

Note: These shares were held by Perfect One Enterprises Limited, the entire issued share capital of which is wholly and beneficially owned by Mr. Yiu Kwan Tat. By virtue of the SFO, Mr. Yiu Kwan Tat is deemed to be interested in the entire 375,500,000 shares held by Perfect One Enterprises Limited.

Long Position in share options of the Company

	Number of share options			
Name of participants	Personal Interest	Family Interest	Total	Approximate percentage of issued share capital
Executive Directors				
Mr. Yiu Kwan Tat	8,740,000	–	8,740,000	1.29%
Mr. Yiu Kwan Wai, Gary	8,740,000	–	8,740,000	1.29%
Mr. Choi Wai Kwok, Andy	3,900,000	–	3,900,000	0.58%
Non-executive Directors				
Mr. Tam B Ray, Billy	500,000	–	500,000	0.07%
Mr. Yuen Lai Yan	300,000	–	300,000	0.04%
Independent Non-executive Director				
Mr. So, Stephen Hon Cheung	500,000	–	500,000	0.07%

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 28 April 2011 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The Directors shall be entitled at any time within 10 years commencing on 28 April 2011 to make an offer for the grant of a share option.

At the extraordinary general meeting of the Company held on 5 June 2015, the scheme mandate limit for the Scheme was refreshed to allow the Company to issue a maximum of 67,437,400 share options under the Scheme, representing approximately 9.95% of the issued share capital of the Company (i.e. 677,487,000 shares) as at 31 December 2015.

During the year ended 31 December 2015, a total of 1,500,000 share options were granted by the Company under the Scheme, 3,113,000 share options were exercised, 2,126,000 shares options were lapsed and 3,900,000 share options were reclassified. Pursuant to the Shareholders' approval for the refreshment of scheme mandate limit on 5 June 2015, the outstanding number of the shares available for issue under the Scheme is 100,013,400, representing approximately 14.76% of the issued share capital of the Company as at 23 March 2016 (i.e. 677,487,000 shares).

The movements in share options granted under the Scheme during the year ended 31 December 2015 are shown below:

	Number of share options									
Name or category of participants	At 1 January 2015	Granted during the year	Exercised during the year *(Note)*	Expired during the year	Reclassified during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Executive Directors										
Mr. Yiu Kwan Tat	2,000,000	–	–	–	–	–	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
	6,740,000	–	–	–	–	–	6,740,000	11-7-14	11-7-15 to 10-7-19	0.616
Mr. Yiu Kwan Wai, Gary	2,000,000	–	–	–	–	–	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
	6,740,000	–	–	–	–	–	6,740,000	11-7-14	11-7-15 to 10-7-19	0.616
Mr. Choi Wai Kwok, Andy *(appointed on 1 April 2015)*	–	–	–	–	3,900,000	–	3,900,000	11-7-14	11-7-15 to 10-7-19	0.616
Non-executive Directors										
Mr. Tam B Ray, Billy	200,000	–	–	–	–	–	200,000	13-12-11	13-12-11 to 12-12-16	1.384
	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Yuen Lai Yan, Darius	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Independent Non-executive Directors										
Mr. So, Stephen Hon Cheung	200,000	–	–	–		–	200,000	13-12-11	13-12-11 to 12-12-16	1.384
	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Fan Chun Wah, Andrew *(resigned on 1 August 2015)*	–	300,000	–	–	–	(300,000)	–	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Mui Ho Cheung, Gary *(resigned on 1 August 2015)*	–	300,000	–	–	–	(300,000)	–	13-5-15	13-5-15 to 12-5-20	1.210
	17,880,000	1,500,000	–	–	3,900,000	(600,000)	22,680,000			

Name or category of participants	At 1 January 2015	Granted during the year	Exercised during the year (Note)	Expired during the year	Reclassified during the year	Lapsed during the year	At 31 December 2015	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
	Number of share options									
Employees:										
Chief Executive Officer										
Mr. Choi Wai Kwok, Andy *(appointed as Executive Director on 1 April 2015)*	3,900,000	–	–	–	(3,900,000)	–	–	11-7-14	11-7-15 to 10-7-19	0.616
Other employees										
In aggregate	3,050,000	–	–	–		(550,000)	2,500,000	13-12-11	13-12-11 to 12-12-16	1.384
	11,485,000	–	(3,113,000)	–		(976,000)	7,396,000	11-7-14	11-7-15 to 10-7-19	0.616
	36,315,000	1,500,000	(3,113,000)	–	–	(2,126,000)	32,576,000			

Note: The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK$0.88.

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e. 12 December 2011, 10 July 2014 and 12 May 2015, were HK$1.40, HK$0.61 and HK$1.28 per share respectively.

The Directors have estimated the values of the share options granted on 13 December 2011, 11 July 2014 and 13 May 2015, calculated using the binominal model as at the date of grant of the share options:

	Number of share options held during the year	Theoretical value of share options
		HK$'000
Mr. Yiu Kwan Tat	8,740,000	2,815
Mr. Yiu Kwan Wai, Gary	8,740,000	2,815
Mr. Choi Wai Kwok, Andy	3,900,000	1,059
Mr. Tam B Ray, Billy	500,000	240
Mr. Yuen Lai Yan, Darius	300,000	142
Mr. So, Stephen Hon Cheung	500,000	240
Other employees	9,896,000	3,239
	32,576,000	10,550

The binomial model is a generally accepted method of valuing options. The significant assumptions used in the calculation of the values of the share options included risk-free interest rate, expected life, expected volatility and expected dividend yield. The measurement dates used in the valuation calculations were the dates on which the options were granted. For the details of the assumptions, please refer to note 28 to the financial statements.

The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTRACT OF SIGNIFICANCE

No contracts of significance in relation to the Group's business in which the Company, its holding company, or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2015, shareholders of the Company (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company are set out below:

	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Perfect One Enterprises Limited	Beneficial owner	375,500,000 *(Note)*	55.43%

Note: The entire issued share capital of Perfect One Enterprises Limited is wholly and beneficially owned by Mr. Yiu Kwan Tat. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 375,500,000 shares held by Perfect One Enterprises Limited.

Save as disclosed above, as at 31 December 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

CONNECTED TRANSACTION

Details of the connected transaction of the Company during the year are provided in the section headed "Connected Transaction" in the "Management Discussion and Analysis" on pages 15 to 16 of this annual report.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

		2015	2014
	Notes	**HK$'000**	HK$'000
Rental expenses paid to related companies	*(a) to (c)*	**8,997**	10,026
Purchases from a related company	*(d)*	**384**	158
Renovation costs to a related company	*(e)*	**–**	2,743
Legal and professional expenses to a related company	*(f)*	**301**	246

Notes:

(a) On 20 November 2012, Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), the Chairman and an Executive Director, entered into a lease agreement ("2012 CWB Lease Agreement") in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses and which was expired on 31 December 2015. On 30 December 2014, MS (CWB) and Excel Trend entered into a new lease agreement to renew the 2012 CWB Lease Agreement for a period from 1 January 2015 to 31 December 2015. The total amount of rental expenses (inclusive of government rent, government rates and management fees) paid by MS (CWB) for the year was HK$8.4 million.

(b) On 20 November 2012, Milan Station (TST) Limited ("MS (TST)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Win Limited ("Excel Win"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu, entered into a lease agreement ("2012 TST Lease Agreement") in relation to the leasing of the premises situated at Shops F-H on the Ground Floor of the South Seas Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong for retail uses and which was expired on 31 December 2015. On 5 June 2014, MS (TST) and Excel Win entered into a lease agreement ("TST Lease Agreement B") in relation to the leasing of the premises situated at Shop I on Ground Floor of South Seas Apartments, No. 81 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong for the period from 1 June 2014 to 31 December 2015. On 30 December 2014, MS (TST) and Excel Win entered into a new lease agreement ("2014 TST Lease Agreement") to renew the 2012 TST Lease Agreement for a period from 1 January 2015 to 31 December 2015. The total amount of rental expenses (inclusive of government rent, government rates and management fees) paid by MS (TST) for the year was HK$0.07 million. On 9 January 2015, Mr. Yiu ceased to be the director and shareholder of Excel Win.

(c) On 20 November 2012, the Company, and Fully Art Limited ("Fully Art"), a company incorporated in Hong Kong with limited liability and the issued shares is owned as 50% by Mr. Yiu Kwan Wai, Gary, an Executive Director and as to 50% by Ms. Yiu Sau Wai ("Ms. Yiu"), resigned as an Executive Director on 17 February 2014, entered into a lease agreement ("2012 Waterfront Lease Agreement") in relation to the leasing of the premises situated at Flat B, 31st Floor of Tower 1, The Waterfront, 1 Austin Road West, Tsim Sha Tsui, Kowloon, Hong Kong for retail uses and which was expired on 31 December 2015. On 30 December 2014, the Company and Fully Art entered into a new lease agreement to renew the 2012 Waterfront Lease Agreement for a period from 1 January 2015 to 31 December 2015. The total amount of rental expenses (inclusive of government rent, government rates and management fees) paid by the Company for the year was HK$0.53 million.

(d) On 28 April 2011, the Company and Yes Lady Finance Company Limited ("Yes Lady"), a company incorporated in Hong Kong with limited liability and 50% of the issued shares of which is owned by Mr. Yiu, entered into a master supply agreement ("Previous Master Supply Agreement") in relation to the provision of advising services by the Company and the supply of pre-owned luxury branded handbags and provision of advertising space by Yes Lady and which was expired on 31 December 2013. On 19 December 2013, the Company and Yes Lady entered into the new master supply agreement to renew the Previous Master Supply Agreement for the period from 1 January 2014 to 31 December 2016. The amount paid by the Company does not exceed the cap amount of HK$1,000,000.

(e) On 28 April 2011, the Company and Mr. Wong Wai Pan (for himself and companies controlled (either directly or indirectly) by him) (collectively, "Renovation Entities"), the husband of Ms. Yiu, entered into a formal master services agreement ("Renovation Services Agreement") in relation to provision of renovation services to the Group and which was expired on 31 December 2013. On 19 December 2013, the Company and Renovation Entities entered into a new renovation services agreement to renew the Renovation Services Agreement for the period from 1 January 2014 to 31 December 2016.

(f) On 28 April 2011, the Company and Messrs. Ho & Tam Solicitors ("Ho & Tam"), Mr. Tam B Ray, Billy, a Non-executive Director, is a partner, entered into a legal services agreement ("Previous Legal Services Agreement") in relation to provision of legal advisory services to the Group and which was expired on 31 December 2013. On 19 December 2013, the Company and Ho & Tam entered into a new legal services agreement to renew the Previous Legal Services Agreement for the period from 1 January 2014 to 31 December 2016. The amount paid by the Company does not exceed the cap amount of HK$1,000,000.

The above transactions have complied with the requirements for continuing connected transactions under Chapter 14A of the Listing Rules.

The Directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

Pursuant to the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and its Shareholders as a whole; and (iv) have not exceeded the relevant maximum amount capped in accordance with the announcements of the Company dated 20 January 2012, 20 November 2012, 19 December 2013, 5 June 2014 and 30 December 2014, respectively, and the prospectus of the Company dated 11 May 2011 (the "Prospectus").

Crowe Horwath (HK) CPA Limited, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information"* and with reference to Practice Note 740 *"Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules"* issued by the Hong Kong Institute of Certified Public Accountants. Crowe Horwath (HK) CPA Limited have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

The significant related party transactions entered into by the Group during the year are set out in note 33 to the financial statements and include transactions that constitute continuing connected transactions for which the disclosure requirements under the Listing Rules have been complied.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by public as at the date of this annual report.

DEED OF NON-COMPETITION

Each of the controlling shareholders has confirmed to the Company of his/its compliance with the non-competition undertakings provided to the Company under the Deed of Non-competition (as defined in the Prospectus). The Independent Non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-competition have been complied with by the controlling shareholders.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2015, save for certain derivations. The Corporate Governance Report is set out on pages 22 to 32 of this annual report.

ENVIRONMENTAL POLICIES

The Group is committed to reducing its carbon footprint and consumption of natural resources in all possible aspects of business operations. Our environmental strategy is to achieve a balance between the quality and efficiency of our services and the minimization of greenhouse gas emissions and environmental degradation. Accordingly, the Group has taken a proactive approach to effect internal and external communications by means of telephone, emails and conferences or such other communication means which are efficient yet environmentally friendly. Also, we are able to minimize physical travelling and printing.

RELATIONSHIPS WITH EMPLOYEES

The employees of the Group are one of the most important assets and stakeholders of the Group and their contribution and support are values at all times. The Group regularly reviews compensation and benefits policies accordingly to industry benchmark as well as the individual performance of employees. Other fringe benefits, mandatory provident fund and share options are provided to retain loyal employees with the aim to form a professional staff and management team that can bring the Group to different levels of success.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Directors believe that maintaining good relationships with customers has been one of the critical reasons for the Group's success. Our business model is to maintain and build on our strong relationships within our client base. Our mission is to provide the finest service to our customers and the Group is constantly looking ways to improve customer relations through enhanced services. Regarding the retail businesses, the Group has no major suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include strategic, operational and financial risks.

Strategic risks

The Directors maintain a strategic plan based on the knowledge to the external environments. The Group will invest in projects and investments based on the strategic plan in order to cope with the market demand and expectation. Given the rapid change of unforeseeable external environments in the financial and equity markets, the Group is facing significant strategic risks on its investments when changing the strategic plans to adopt the unexpected changes of external environments.

Operational risks

Management regularly reviews the Group's operations to ensure that the Group's risk of losses, whether financial or otherwise, resulting from fraud, errors, omissions and other operational and compliance matters, are adequately managed.

Financial risks

The principal financial risks are set out in note 36 to the financial statements headed "FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES".

EQUITY-LINKED AGREEMENTS

Save for disclosed in the sections headed "Grant and Exercise of Share Options" and "Issue of Warrants" in the "Management Discussion and Analysis" on pages 16 to 18 of this annual report and the section headed "Share Options" on pages 40 to 42 of this report, the Company has not entered into any equity-linked agreements during the year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, the Directors, secretary and every auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by or by reasons of any act done, concurred in or omitted in or about the execution of their duties, or supposed duty, in their respective offices or otherwise in relation thereto.

The Company has taken out insurance against all losses and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 December 2015 and discussed with the management of the Company on auditing, internal control and financial reporting matters. Information on the composition of the Audit Committee is set out in the Corporate Governance Report on pages 22 to 32 of this annual report.

AUDITORS

The financial statements for the years ended 31 December 2013 were audited by Messrs. Ernst & Young and that for the year ended 31 December 2014 and 2015 were audited by Crowe Horwath (HK) CPA Limited.

On 5 June 2015, Crowe Horwath (HK) CPA Limited was re-appointed as the auditor of the Company for a term ending upon conclusion of the forthcoming annual general meeting. An ordinary resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Yiu Kwan Tat
Chairman

Hong Kong, 23 March 2016

Independent Auditor's Report

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

To the shareholders of Milan Station Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Milan Station Holdings Limited ("the Company") and its subsidiaries set out on pages 49 to 111, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Crowe Horwath (HK) CPA LIMITED
Certified Public Accountants
Hong Kong, 23 March 2016

Lam Cheung Shing
Practising Certificate Number P03552

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
REVENUE	5	**399,679**	615,863
Cost of sales		**(308,007)**	(482,317)
Gross profit		**91,672**	133,546
Other income and gains, net	5	**16,044**	3,555
Selling expenses		**(94,216)**	(132,379)
Administrative and other operating expenses		**(60,858)**	(57,175)
Finance costs	6	**(428)**	(990)
LOSS BEFORE TAX	7	**(47,786)**	(53,443)
Income tax expense	10	**(849)**	(82)
LOSS FOR THE YEAR		**(48,635)**	(53,525)
Attributable to:			
Owners of the Company		**(48,242)**	(52,918)
Non-controlling interests		**(393)**	(607)
		(48,635)	(53,525)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	12	**HK(7.14 cents)**	HK(7.85 cents)

The notes on pages 55 to 111 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
LOSS FOR THE YEAR		**(48,635)**	(53,525)
OTHER COMPREHENSIVE (LOSS)/INCOME:			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,669)**	(2,346)
Reclassified on disposal of a subsidiary		**99**	–
Total other comprehensive loss for the year		**(2,570)**	(2,346)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(51,205)**	(55,871)
Attributable to:			
Owners of the Company		**(50,634)**	(55,173)
Non-controlling interests		**(571)**	(698)
		(51,205)	(55,871)

The notes on pages 55 to 111 form part of these financial statements.

Consolidated Statement of Financial Position

31 December 2015

	Note	2015	2014
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	14,612	96,646
Intangible assets	14	4,768	–
Available-for-sale investments	16	2,600	–
Deferred tax assets	26	–	574
Deposits	17	10,576	8,392
Total non-current assets		32,556	105,612
CURRENT ASSETS			
Inventories	18	115,056	119,137
Trade receivables	19	9,168	9,748
Prepayments, deposits and other receivables	17	14,345	26,513
Tax recoverable		1,265	2,208
Pledged bank deposits	20	–	1,002
Cash and cash equivalents	20	82,069	59,703
Total current assets		221,903	218,311
CURRENT LIABILITIES			
Trade and other payables	21	19,619	22,216
Interest-bearing bank borrowings	22	–	24,479
Obligations under finance leases	23	353	118
Provisions	24	18	2,515
Tax payable		942	846
Total current liabilities		20,932	50,174
NET CURRENT ASSETS		200,971	168,137
TOTAL ASSETS LESS CURRENT LIABILITIES		233,527	273,749
NON-CURRENT LIABILITIES			
Obligations under finance leases	23	507	344
Provisions	24	266	132
Other liabilities	25	4,554	2,303
Deferred tax liabilities	26	788	322
Total non-current liabilities		6,115	3,101
NET ASSETS		227,412	270,648
EQUITY			
Issued capital	27	6,775	6,744
Reserves	29	216,736	260,825
Equity attributable to owners of the Company		223,511	267,569
Non-controlling interests		3,901	3,079
TOTAL EQUITY		227,412	270,648

Approved and authorised for issue by the board of directors on 23 March 2016 and signed on its behalf by:

YIU KWAN TAT
Director

YIU KWAN WAI, GARY
Director

The notes on pages 55 to 111 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Attributable to owners of the Company										
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (Note 29)	HK$'000 (Note 29)	HK$'000 (Note 29)	HK$'000	HK$'000 (Note 28)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014	6,744	173,102	10	(23,782)	1,729	3,575	5,167	152,460	319,005	3,777	322,782
Loss for the year	–	–	–	–	–	–	–	(52,918)	(52,918)	(607)	(53,525)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,255)	–	–	(2,255)	(91)	(2,346)
Total other comprehensive loss	–	–	–	–	–	(2,255)	–	–	(2,255)	(91)	(2,346)
Total comprehensive loss for the year	–	–	–	–	–	(2,255)	–	(52,918)	(55,173)	(698)	(55,871)
Equity-settled share-based transaction	–	–	–	–	–	–	3,737	–	3,737	–	3,737
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	(1,501)	1,501	–	–	–
At 31 December 2014 and 1 January 2015	6,744	173,102*	10*	(23,782)*	1,729*	1,320*	7,403*	101,043*	267,569	3,079	270,648
Loss for the year	–	–	–	–	–	–	–	(48,242)	(48,242)	(393)	(48,635)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(2,491)	–	–	(2,491)	(178)	(2,669)
Reclassified on disposal of a subsidiary	–	–	–	–	–	99	–	–	99	–	99
Total other comprehensive loss	–	–	–	–	–	(2,392)	–	–	(2,392)	(178)	(2,570)
Total comprehensive loss for the year	–	–	–	–	–	(2,392)	–	(48,242)	(50,634)	(571)	(51,205)
Change in ownership interest in a subsidiary without change of control (Note 32)	–	–	–	–	–	–	–	(155)	(155)	155	–
Equity-settled share-based transaction	–	–	–	–	–	–	4,814	–	4,814	–	4,814
Shares issued under share option scheme	31	2,732	–	–	–	–	(846)	–	1,917	–	1,917
Disposal of subsidiaries (Note 31)	–	–	–	–	–	–	–	–	–	290	290
Acquisition of a subsidiary (Note 30)	–	–	–	–	–	–	–	–	–	948	948
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	(820)	820	–	–	–
At 31 December 2015	6,775	175,834*	10*	(23,782)*	1,729*	(1,072)*	10,551*	53,466*	223,511	3,901	227,412

* *These reserve accounts comprise the consolidated reserves of HK$216,736,000 (2014: HK$260,825,000) in the consolidated statement of financial position.*

The notes on pages 55 to 111 form part of these financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(47,786)**	(53,443)
Adjustments for:			
Bank interest income	5	**(294)**	(82)
Gain on disposal of property, plant and equipment	5	**(12,947)**	(52)
Gain on disposal of subsidiaries	5	**(2,805)**	–
Forfeiture of deposit received	5	**(1,045)**	–
Loss on write-off of property, plant and equipment	7	**812**	1,636
Write down for slow-moving inventories, net	7	**682**	1,345
Depreciation	7	**8,312**	8,220
Amortisation of intangible assets	7	**71**	–
Impairment of amount due from an available-for-sale investee	5	**1,700**	–
Impairment of property, plant and equipment	7	**–**	1,155
Impairment of available-for-sale investments	5	**3,000**	–
Loss on write-off of rental deposits	7	**680**	2,119
Equity-settled share-based payment expenses		**4,814**	3,737
Net exchange loss/(gain)		**1,078**	(421)
Finance costs	6	**428**	990
		(43,300)	(34,796)
Decrease in inventories		**2,135**	28,044
(Increase)/decrease in trade receivables		**(4,083)**	899
Decrease in prepayments, deposits and other receivables		**14,596**	3,712
Decrease in trade and other payables		**(7,207)**	(906)
Increase in other liabilities		**1,509**	592
Decrease in provisions		**(2,346)**	(1,082)
Cash used in operations		**(38,696)**	(3,537)
Hong Kong profits tax refunded/(paid)		**743**	(609)
Overseas taxes paid		**–**	(464)
Net cash used in operating activities		**(37,953)**	(4,610)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**294**	82
Purchases of items of property, plant and equipment		**(3,041)**	(12,605)
Proceeds from disposal of property, plant and equipment		**89,900**	52
Net cash outflow on acquisition of a subsidiary	30	**(2,857)**	–
Net cash outflow on disposal of subsidiaries	31	**(303)**	–
Net cash generated from/(used in) investing activities		**83,993**	(12,471)

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of bank loans		**(24,479)**	(2,329)
Decrease/(increase) in pledged bank deposits		**1,002**	(2)
Proceeds from shares issued under share option scheme		**1,917**	–
Capital element of finance lease payables		**(302)**	(115)
Interest paid		**(390)**	(973)
Interest elements on finance lease rental payments		**(38)**	(17)
Net cash used in financing activities		**(22,290)**	(3,436)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**23,750**	(20,517)
Cash and cash equivalents at the beginning of the year		**59,703**	81,302
Effect of foreign exchange rate changes, net		**(1,384)**	(1,082)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	20	**82,069**	59,703

Major non-cash transactions

i) During the year ended 31 December 2014, a reinstatement cost of HK$68,000 was capitalised as property, plant and equipment, which remained unpaid and was included in provisions as at 31 December 2015.

ii) During the year ended 31 December 2015, the Group entered into a financial lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$700,000 (2014: Nil).

The notes on pages 55 to 111 form part of these financial statements.

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Units 1-3, 4/F, Tower 1, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong.

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

In the opinion of the directors, the immediate parent and ultimate holding company of the Company is Perfect One Enterprises Limited ("Perfect One"), which was incorporated in the British Virgin Islands and controlled by Mr. Yiu Kwan Tat, the chairman of the Company.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("CO"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). They have been prepared under the historical cost convention. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated. The functional currency of the entities within the Group is HK$ except for the subsidiaries established outside Hong Kong for which the functional currency is the local currency in which the entities operate.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

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

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

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

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

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

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

Amendments to HKAS 19, Defined benefit plans: Employee contributions

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

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

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

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

2.3 NEW AND REVISED HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

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

1 *Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.*
2 *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*
3 *Effective for annual periods beginning on or after a date to be determined.*

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's statement of profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of items of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land under finance lease	Over the lease terms
Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Exclusive distribution right in a business combination is recognised at fair value at the acquisition date. Exclusive distribution right has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over its useful lives of 5 years according to the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in items of property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor to sub-lease the leased assets under operating lease, such rentals receivable are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms. Any difference between the straight-line rent amount and the amount payable under the lease is included in other liabilities in the consolidated statement of financial position. Contingent rental payments are expensed as incurred.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in items of property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income and gains, net, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss in other income and gains, net. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost *(continued)*

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative and other operating expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include interest-bearing bank borrowings, obligations under a finance lease and accrued liabilities and other payables.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete or slow-moving items. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset;

(c) licensing income, on an accrual basis in accordance with the substance of the relevant agreements; and

(d) rental income, on a time proportion basis over the lease terms.

Employee benefits

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in central pension schemes operated by the local municipal government. The subsidiaries operating in Mainland China are required to make contributions for their employees who are registered as permanent residents in Mainland China. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

The employees of the Group's subsidiary which operates in Macau are required to participate in a central social security scheme operated by the Macao Special Administrative Region Government. The subsidiary operating in Macau is required to make contributions for its employees who are registered as residents to the central social security scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central social security schemes.

The employees of the Group's subsidiary which operates in Singapore are required to participate in a central provident fund operated by the local government. The subsidiary operating in Singapore is required to make contributions for its employees who are registered as residents to the central provident fund. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central provident fund.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of assets

In determining whether an asset is impaired or whether the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value, or such an event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows, which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in preparing cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could have a material effect on the net present value used in the impairment test.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for obsolete and slow-moving inventories

At the end of the reporting period, the management assessed the provision of estimation for obsolete and slow-moving inventories due to a change in products sold in recent years and the latest experience of selling merchandise of similar nature. Inventory provision was provided at an accelerated rate for the unused handbags (other than certain classical brand handbags) and second-hand handbags that are aged over 1 year and 120 days, respectively, and full provision was provided for the unused handbags and second-hand handbags that are aged over 4 years and 840 days, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK$2,013,000 (2014: HK$Nil). Further details are given in note 14.

4. 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 2015					
Revenue from external customers	343,932	15,619	39,244	884	399,679
Non-current assets	13,429	50	5,901	–	19,380
Capital expenditure	7,935	50	1,812	–	9,797
Year ended 31 December 2014					
Revenue from external customers	452,134	81,437	69,871	12,421	615,863
Non-current assets	86,357	27	11,629	–	98,013
Capital expenditure	2,199	1,454	9,020	–	12,673

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

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the year (2014: Nil) and no information about major customers is presented accordingly.

Information about major products

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

5. REVENUE AND OTHER INCOME AND GAINS, NET

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

	2015	2014
	HK$'000	HK$'000
Revenue		
Sale of goods	399,679	615,863
Other income and gains, net		
Bank interest income	294	82
Total interest income on financial assets not at fair value through profit or loss	294	82
Gain on disposal of property, plant and equipment	12,947	52
Gain on disposal of subsidiaries (Note 31)	2,805	–
Forfeiture of deposit received	1,045	–
Licensing income	1,019	2,901
Gross rental income from a sublease arrangement	2,069	–
Impairment of available-for-sale investments (Note 16)	(3,000)	–
Impairment of amount due from an available-for-sale investee (note)	(1,700)	–
Others	565	520
	16,044	3,555

Note: During the year ended 31 December 2015, an impairment loss of HK$1,700,000 on the amount due from an available-for-sale investee was recognised as the available-for-sale investee was operating at a loss and in a net liability position. The directors are of the opinion that the recoverable amount of the balance due from an available-for-sale investee was less than its carrying amount.

6. FINANCE COSTS

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

7. LOSS BEFORE TAX

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

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

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments is as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity-settled share option expense	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2015						
Executive directors:						
Mr. Yiu Kwan Tat	–	3,771	1,680	18	958	6,427
Mr. Yiu Kwan Wai, Gary	–	1,072	574	18	958	2,622
Mr. Choi Wai Kwok, Andy^ (chief executive) (appointed on 1 April 2015)	–	3,025	1,960	25	293	5,303
	–	7,868	4,214	61	2,209	14,352
Non-executive directors:						
Mr. Tam B Ray, Billy	300	–	–	–	142	442
Mr. Yuen Lai Yan, Darius	200	–	–	–	142	342
	500	–	–	–	284	784
Independent non-executive directors						
Mr. So, Stephen Hon Cheung	200	–	–	–	142	342
Mr. Chan Chi Hung (appointed on 22 July 2015)	89	–	–	–	–	89
Mr. Tou Kin Chuen (appointed on 22 July 2015)	89	–	–	–	–	89
Mr. Fan Chun Wah, Andrew (resigned on 1 August 2015)	117	–	–	–	142	259
Mr. Mui Ho Cheung (resigned on 1 August 2015)	117	–	–	–	142	259
	612	–	–	–	426	1,038
Sub-total:	1,112	7,868	4,214	61	2,919	16,174
Chief executive						
Mr. Choi Wai Kwok, Andy^	–	932	–	5	261	1,198
	1,112	8,800	4,214	66	3,180	17,372

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Pension scheme contributions	Equity-settled share option expense	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2014						
Executive directors:						
Mr. Yiu Kwan Tat^	–	4,255	117	17	873	5,262
Mr. Yiu Kwan Wai, Gary	–	852	33	17	873	1,775
Ms. Yiu Sau Wai (resigned on 17 February 2014)	–	134	–	2	–	136
Mr. Wong Hiu Chor (resigned on 17 February 2014)	–	122	–	3	–	125
	–	5,363	150	39	1,746	7,298
Non-executive director:						
Mr. Tam B Ray, Billy	300	–	–	–	–	300
Mr. Yuen Lai Yan, Darius	200	–	–	–	–	200
	500	–	–	–	–	500
Independent non-executive directors						
Mr. So, Stephen Ho Cheung	200	–	–	–	–	200
Mr. Fan Chun Wah, Andrew	200	–	–	–	–	200
Mr. Mui Ho Cheung	200	–	–	–	–	200
	600	–	–	–	–	600
Sub-total:	1,100	5,363	150	39	1,746	8,398
Chief executive						
Mr. Choi Wai Kwok, Andy^	–	1,723	140	9	505	2,377
	1,100	7,086	290	48	2,251	10,775

^ Mr. Yiu Kwan Tat ("Mr. Yiu") is the chief executive officer of the Company during the year ended 31 December 2013. Mr. Yiu has stepped down from his position as the chief executive officer of the Company with effect from 11 July 2014. Mr. Choi Wai Kwok, Andy ("Mr. Choi"), has been appointed as the chief executive officer of the Company with effect from 11 July 2014, Mr. Choi has also been appointed as the executive director of the Company with effect from 1 April 2015.

During the prior and current years, certain directors and chief executive were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which had been recognised in the statement of profit or loss was determined as at the date of grant and the amount included in the financial statements for the current year was included in the above directors' and chief executive's emoluments disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

There was no arrangement under which a director and chief executive has waived or agreed to waive any emoluments during the year (2014: Nil).

During the year ended 31 December 2015, no emoluments was paid by the Group to the directors and chief executive as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: two directors and the chief executive), details of whose remuneration are set out in note 8 above. Details of the emoluments for the year of the remaining two (2014: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,983**	1,725
Discretionary bonus	**77**	35
Pension scheme contributions	**36**	32
Equity-settled share option expense	**1,050**	957
	3,146	2,749

The number of non-director and non-chief executive, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1

During the current year, no share options were granted to non-director and non-chief executive highest paid employees. In prior years, share options were granted to non-director and non-chief executive highest paid employees in respect of his services to the Group, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which had been recognised in the statement of profit or loss, was determined as at the date of grant and the amount included in the financial statements for current year was included in the above non-director and non-chief executive highest paid employee's remuneration disclosures.

During the year ended 31 December 2015, no remuneration was paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office (2014: Nil).

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the “PRC Tax Law”) of the Peoples’ Republic of China (the “PRC”) being effective on 1 January 2008, the PRC corporate income tax rate of the Group’s subsidiaries operating in the PRC during the year was 25% (2014: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (2014: 12%) on the estimated taxable profits. The subsidiary in Singapore is subject to Singapore income tax at the rate of 17% (2014: 17%).

	2015	2014
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**180**	27
Underprovision in previous years	**95**	–
Current – Elsewhere		
Charge for the year	**–**	44
Underprovision in previous years	**–**	11
Deferred (Note 26)	**574**	–
Total tax charge for the year	**849**	82

10. INCOME TAX EXPENSE *(continued)*

A reconciliation of the income tax expense applicable to loss before tax at the statutory tax rates to the tax expenses is as follows:

	Group	
	2015	2014
	HK$'000	HK$'000
Loss before tax	**(47,786)**	(53,443)
Tax at the statutory tax rates	**(9,143)**	(10,572)
Under provision in previous years	**95**	11
Tax effect of non-taxable income	**(2,526)**	(99)
Tax effect of non-deductible expenses	**2,930**	1,323
Tax effect of tax losses not recognised	**9,259**	10,139
Tax effect of tax losses from previous periods utilised	**(741)**	(547)
Tax effect of temporary difference not recognised	**771**	(100)
Others	**204**	(73)
Actual tax expenses	**849**	82

There was no income tax relating to components of other comprehensive income for the years ended 31 December 2015 and 2014.

11. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2015 (2014: Nil), nor has any dividend been proposed since the end of the reporting period.

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of HK$48,242,000 (2014: HK$52,918,000) and the weighted average of 675,773,000 ordinary shares (2014: 674,374,000) in issue during the year.

No adjustment has been made to the basic loss per share presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2015					
Cost:					
At 1 January 2015	80,417	30,753	12,352	1,657	125,179
Additions					
– acquisition of a subsidiary (Note 30)	–	874	343	–	1,217
– others	–	2,848	183	710	3,741
Disposals					
– disposal of subsidiaries (Note 31)	–	(560)	(401)	–	(961)
– others	(78,879)	–	(165)	(900)	(79,944)
Write-off	–	(9,157)	(213)	–	(9,370)
Exchange realignment	–	(539)	(22)	–	(561)
At 31 December 2015	1,538	24,219	12,077	1,467	39,301
Accumulated depreciation and impairment loss:					
At 1 January 2015	2,371	19,011	6,893	258	28,533
Depreciation charge for the year	340	5,240	1,893	839	8,312
Disposals					
– disposal of subsidiaries (Note 31)	–	(299)	(36)	–	(335)
– others	(2,675)	–	(91)	(225)	(2,991)
Write-off	–	(8,366)	(192)	–	(8,558)
Exchange realignment	–	(254)	(18)	–	(272)
At 31 December 2015	36	15,332	8,449	872	24,689
Carrying amount:					
At 31 December 2015	1,502	8,887	3,628	595	14,612

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Land and buildings	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2014					
Cost:					
At 1 January 2014	80,417	31,719	12,023	972	125,131
Additions	–	11,108	665	900	12,673
Disposals	–	–	–	(215)	(215)
Write-off	–	(11,891)	(327)	–	(12,218)
Exchange realignment	–	(183)	(9)	–	(192)
At 31 December 2014	80,417	30,753	12,352	1,657	125,179
Accumulated depreciation and impairment loss:					
At 1 January 2014	1,575	23,135	5,085	310	30,105
Depreciation charge for the year	796	5,270	1,991	163	8,220
Impairment	–	1,155	–	–	1,155
Disposals	–	–	–	(215)	(215)
Write-off	–	(10,405)	(177)	–	(10,582)
Exchange realignment	–	(144)	(6)	–	(150)
At 31 December 2014	2,371	19,011	6,893	258	28,533
Carrying amount:					
At 31 December 2014	78,046	11,742	5,459	1,399	96,646

During the year ended 31 December 2014, the Group recognised an impairment loss of HK$1,155,000 on leasehold improvements as a store was closed subsequent to the end of the reporting period by early termination of a tenancy agreement. The directors are of the opinion that the recoverable amount of the balance was less than its carrying amount.

All the Group's land and buildings are situated in Hong Kong. As at 31 December 2014, certain land and buildings with carrying amount of HK$76,530,000 were pledged to secure a general banking facility granted to the Group (Note 22).

The carrying amount of the Group's motor vehicles held under finance leases amounted to HK$595,000 (2014: HK$634,000) as at 31 December 2015.

14. INTANGIBLE ASSETS

	Goodwill	Exclusive distribution right	Total
	HK$'000	HK$'000	HK$'000
2015			
Cost:			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Acquisition of a subsidiary (Note 30)	2,013	2,826	4,839
At 31 December 2015	2,013	2,826	4,839
Accumulated amortisation:			
At 1 January 2014, 31 December 2014 and 1 January 2015	–	–	–
Charge for the year	–	71	71
At 31 December 2015	–	71	71
Carrying amount			
At 31 December 2015	2,013	2,755	4,768
At 31 December 2014	–	–	–

Amortisation of exclusive distribution right of HK$71,000 (2014: HK$ Nil) has been expensed in selling expenses and exclusive distribution right is calculated using the straight-line method over its useful lives of 5 years according to the contract.

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to spa and wellness products cash-generating unit ("CGU") for impairment testing.

14. INTANGIBLE ASSETS *(continued)*

Impairment testing of goodwill *(continued)*

Spa and wellness products – Hong Kong

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate stated below. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

The key assumptions, long-term growth rate and discount rate used in the value-in-use calculations are as follows:

	%
Gross margin	76.6
Long-term growth rate	3
Pre-tax discount rate	19.4

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections covering a 5-year period, based on financial budgets approved by management and a discount rate of 19.4% per annum. Cash flows beyond the 5-year period are extrapolated with growth rate of 3%. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development. Based on the value-in-use calculation, the directors determine that there is no impairment.

15. SUBSIDIARIES

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Milan Station (BVI) Limited ("MS (BVI)")	British Virgin Islands ("BVI")/Hong Kong	US$4	100	–	Investment holding
Milan Station (Hong Kong) Limited ("MS (HK)")	Hong Kong	HK$10,000	–	100	Investment holding
Milan Station (Tsuen Wan) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation

15. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Milan Station (TST) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Fashion (TST) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Causeway Bay) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station Trading Limited	Hong Kong	HK$10,000	–	100	Engaged in trading of handbags, fashion accessories and embellishments operation
Milan Station (Central) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Trilink Global Limited	BVI/Hong Kong	US$1	–	100	Investment holding
Milan Station (Asia) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (Macau) Limited ("MS (Macau)")	Macau	MOP30,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Milan Station (PRC) Limited	BVI/Hong Kong	US$2	–	100	Investment holding

15. SUBSIDIARIES *(continued)*

Name	Place of incorporation/ establishment and business	Issued ordinary share capital/paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Milan Station (PRC) Limited ("MS (PRC)")	Hong Kong	HK$10,000	–	100	Engaged in sales of handbags, fashion accessories and embellishments operation
Milan Station (Kwun Tong) Limited	Hong Kong	HK$10,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站亞太零售(北京)有限公司 *	The PRC/Mainland China	RMB32,000,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
米蘭站商業(上海)有限公司 * ("MS (SH)")	The PRC/Mainland China	RMB34,000,000	–	100	Engaged in retailing of handbags, fashion accessories and embellishments operation
Standpoint Global Limited ("Standpoint Global")	BVI/Hong Kong	US$1	–	100	Investment holding
WLS Limited	Hong Kong	HK$40,000	–	51	Engaged in retailing of spa and wellness products

* Registered as wholly-foreign-owned enterprises under the laws of the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

16. AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK$'000	HK$'000
Unlisted equity investments, at cost less impairment	2,600	–

Unlisted equity investments comprise equity interests in entities which are engaged in sales of handbags, fashion accessories and embellishments operation. There is no open market for these investments and the directors consider that the marketability of the Group's shareholdings in these investments is low. In light of the non-controlling shareholdings held by the Group, the probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group makes assessment when there is objective evidence that the available-for-sale investments are impaired in accordance with the guidelines in HKAS 39 Financial Instruments: Recognition and Measurement. The assessment requires the directors to make judgments. In making these judgments, the Group has assessed various factors, such as financial operation of the investees, prospect of their operations in short to medium terms, as well as the prospect of the industries the investees operate in, and changes in their operating environment.

During the year ended 31 December 2015, the Group recognised an impairment loss of HK$3,000,000 as the directors of the Company, after a thorough evaluation by taken into account the (i) substantial losses and (ii) unexpected low revenue of the investments, concluded that carrying amount of the investments exceeded the present value of estimated future cash flows expected to be derived from the investments.

The above investment consists of investment in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date. The Group does not intend to dispose of them in the near future.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Prepayments	3,834	13,933
Deposits	12,944	19,943
Other receivables	8,143	1,029
	24,921	34,905
Less: Non-current portion	(10,576)	(8,392)
	14,345	26,513

At 31 December 2015 and 2014, the balances of deposits and other receivables were neither past due nor impaired. Financial assets included in the above balances have no recent history of default.

18. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Goods held for resale	**115,056**	119,137

19. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

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

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

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

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

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2015	2014
	HK$'000	HK$'000
Cash and bank balances	80,803	59,703
Pledged time deposits	–	1,002
Time deposits with original maturity of less than three months when acquired	1,266	–
	82,069	60,705
Less: Time deposits pledged for bank loan facilities (Note 22)	–	(1,002)
Cash and cash equivalents	82,069	59,703

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$12,220,000 (2014: HK$18,694,000). RMB is not freely convertible into other currencies. Under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposits rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

21. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	HK$'000
Trade payables	773	–
Accrued liabilities	5,177	5,939
Other payables	5,538	4,325
Other liabilities	167	1,045
Amount due to non-controlling interest	3,960	–
Deposit received	4,004	10,907
	19,619	22,216

Other payables are non-interest-bearing and repayable on demand.

The amount due to non-controlling interest is unsecured, interest free and repayable on demand.

21. TRADE AND OTHER PAYABLES *(continued)*

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

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

22. INTEREST-BEARING BANK BORROWINGS

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

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

The secured bank loan as at 31 December 2014 contains a repayment on demand clause and accordingly is included within current interest-bearing bank borrowings and analysed into bank loans payable within one year or on demand.

22. INTEREST-BEARING BANK BORROWINGS *(continued)*

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

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

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

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

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

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

23. OBLIGATIONS UNDER FINANCE LEASES

The Group leases motor vehicles under finance leases. At 31 December 2015, the total future minimum lease payments under the finance leases and their present values were as follows:

Group	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**382**	131	**353**	118
In the second year	**382**	131	**369**	121
In the third to fifth years, inclusive	**139**	229	**138**	223
Total minimum finance lease payments	**903**	491	**860**	462
Future finance charges	**(43)**	(29)		
Total net finance lease payables	**860**	462		
Portion classified as current liabilities	**(353)**	(118)		
Non-current portion	**507**	344		

24. PROVISIONS

	Provision for store closure		Provision for reinstatement costs		Total	
	2015	2014	**2015**	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Analysed for reporting purposes as:						
Current liabilities	**–**	1,590	**18**	925	**18**	2,515
Non-current liabilities	**–**	–	**266**	132	**266**	132
	–	1,590	**284**	1,057	**284**	2,647

	Provision for store closure	Provision for reinstatement costs	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2015	1,590	1,057	2,647
Amounts utilised during the year	(1,590)	(756)	(2,346)
Exchange difference	–	(17)	(17)
At 31 December 2015	–	284	284

24. PROVISIONS *(continued)*

MS (Macau), an indirect wholly-owned subsidiary of the Company, entered into a non-cancellable operating lease agreement (the "Lease Agreement A") with a landlord in relation to its retail shop in Macau (the "Retail Shop A") with a lease term of three years in July 2014. On 31 December 2014, the board of directors of MS (Macau) passed a resolution in relation to the early termination of the Lease Agreement A. The Retail Shop A was closed down in February 2015. Accordingly, the Group provided for all the compensation for early termination and future minimum lease payments in total of HK$1,590,000 under the Lease Agreement A and had settled all relevant costs of HK$1,590,000 in February 2015.

25. OTHER LIABILITIES

The amounts represented the non-current portion of accrued rental expenses.

26. DEFERRED TAX

a) Deferred tax assets and liabilities recognised

The movements in deferred tax assets and liabilities during the year are as follows:

i) *Deferred tax arising from*

	Depreciation allowance in excess of related depreciation	Depreciation in excess of related depreciation allowance	Fair value adjustment on exclusive distribution right upon business combination	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2014, 31 December 2014 and 1 January 2015	(322)	574	–	252
Acquisition of a subsidiary (Note 30)	–	–	(466)	(466)
Debited to the consolidated statement of profit or loss during the year (Note 10)	–	(574)	–	(574)
At 31 December 2015	(322)	–	(466)	(788)

ii) *Reconciliation to the consolidated statement of financial position*

	2015	2014
	HK$'000	HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**–**	574
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(788)**	(322)
	(788)	252

26. DEFERRED TAX *(continued)*

b) Deferred tax assets not recognised

Certain subsidiaries of the Group have tax losses arising in Hong Kong in total of HK$125,347,000 (2014: HK$94,011,000) as at 31 December 2015 that are available indefinitely for offsetting against their future taxable profits. Deferred tax assets have not been recognised in respect of these losses as these subsidiaries have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Tax losses of approximately HK$72,661,000 (2014: HK$65,758,000) attributable to the operations in the PRC that are available for offsetting against future profits may be carried forward for five years for the PRC Corporate Income Tax purpose.

Tax losses of approximately HK$3,759,000 (2014: HK$Nil) attributable to the operations in Macau that are available for offsetting against future profits may be carried forward for three years for Macau complementary tax purpose.

c) Deferred tax liabilities not recognised

As at 31 December 2015 and 2014, the Group had no other significant potential unprovided deferred tax liabilities not recognised.

27. SHARE CAPITAL

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

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

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

28. SHARE OPTION SCHEME

On 28 April 2011, the Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, consultants, advisers and the Company's shareholders. The Scheme became effective on 23 May 2011 upon the listing of the Company's shares on the Stock Exchange. The Scheme will be in force for a period of 10 years commencing on the date on which the Scheme was adopted.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the board of directors, and shall commence at the grant date or commence after a vesting period of one year and end on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

28. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	2015 Weighted average exercise price	2015 Number of options	2014 Weighted average exercise price	2014 Number of options
	HK$ per share	'000	HK$ per share	'000
At 1 January	0.774	36,315	1.384	10,500
Granted during the year	1.21	1,500	0.616	28,865
Lapsed during the year	0.982	(2,126)	1.384	(3,050)
Exercised during the year	0.616	(3,113)	–	–
Outstanding at 31 December	0.795	32,576	0.774	36,315
Exercisable at 31 December	0.795	32,576	1.384	7,450

The weighted average share price at the date of exercise for shares options exercised during the year was HK$0.88 (2014: not applicable).

The options outstanding at 31 December 2015 had exercise prices of HK$1.384 or HK$0.616 or HK$1.21 (2014: HK$1.384 or HK$0.616) and a weighted average remaining contractual life of 3.01 years (2014: 4.00 years).

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2015 Number of options	Exercise price	Exercise period
'000	HK$ per share	
900	1.21	13 May 2015 to 12 May 2020
24,776	0.616	11 July 2015 to 10 July 2019
6,900	1.384	13 December 2011 to 12 December 2016
32,576		

2014 Number of options	Exercise price	Exercise period
'000	HK$ per share	
28,865	0.616	11 July 2015 to 10 July 2019
7,450	1.384	13 December 2011 to 12 December 2016
36,315		

28. SHARE OPTION SCHEME *(continued)*

The fair value of the share options granted during the year ended 31 December 2015 was approximately HK$712,000 (HK$0.47 each) (2014: HK$7,839,000, HK$0.27 each) of which the Group recognised total expenses of approximately HK$4,814,000 (2014: HK$3,737,000) as a share option expense during the year ended 31 December 2015.

The fair value of equity-settled share options granted during the years ended 31 December 2015 and 2014 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used:

	2015	2014
Dividend yield (%)	**0**	0
Expected volatility (%)	**54.87**	59.18
Risk-free interest rate (%)	**1.243**	1.383
Expected life of options (year)	**5**	5
Price of the Company's shares at the date of grant (HK$ per share)	**1.21**	0.61

The expected life of the options is not necessarily indicative of the exercise patterns that may occur. The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

No other feature of the options granted was incorporated into the measurement of fair value. At the end of the reporting period, the Company had 32,576,000 (2014: 36,315,000) share options outstanding under the Scheme.

At the date of approval of these financial statements, the Company had 32,576,000 (2014: 35,790,000) share options outstanding under the Scheme, which represented approximately 4.81% (2014: 5.31%) of the Company's shares in issue as at that date.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity in the financial statements.

The capital reserve of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation on 28 April 2011 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefor.

The merger reserve represents the excess of the consideration for acquiring subsidiaries over the nominal value of the paid-up capital of the subsidiaries acquired.

29. RESERVES *(continued)*

In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the subsidiaries' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.

The share option reserve relates to share options granted to directors and employees under the Company's share option scheme. Further information about share option is set out in note 28.

30. ACQUISITION OF A SUBSIDIARY

On 16 November 2015, the Group acquired 51% interest in WLS Limited from independent third parties. WLS Limited is engaged in retailing of spa and wellness products. The acquisition has been accounted for using acquisition method. The directors consider that the acquisition of WLS Limited will expand the business operations of the Group to spa and wellness industry. The Group has elected to measure the non-controlling interest in WLS Limited at the non-controlling interest's proportionate share of WLS Limited's identifiable net assets. The purchase consideration of HK$3,000,000 for the acquisition was paid in cash at the acquisition date.

The fair values of the identifiable assets and liabilities of WLS Limited as at the date of acquisition were as follows:

	Note	
		HK$'000
Property, plant and equipment	13	1,217
Exclusive distribution rights	14	2,826
Cash and bank balances		143
Trade receivables		2,462
Inventories		2,842
Prepayments, deposits and other receivables		795
Trade payables		(1,517)
Accruals and other payables		(2,386)
Amounts due to non-controlling interests		(3,960)
Tax payable		(21)
Deferred tax liabilities	26	(466)
Total identifiable net assets at fair value		1,935
Non-controlling interests		(948)
		987
Goodwill on acquisition	14	2,013
Satisfied by cash		3,000

30. ACQUISITION OF A SUBSIDIARY *(continued)*

The trade receivables and other receivables acquired with a fair value of acquisition amounted to HK$2,462,000 and HK$51,000, respectively had gross contractual amounts of HK$2,462,000 and HK$51,000, respectively.

The Group incurred transaction costs of HK$200,000 for this acquisition. These transaction costs have been expensed and are included in administrative and other operating expenses in the consolidated statement of profit or loss.

The factors which constitute the goodwill arising from the acquisition comprise of (i) the established track record of "Thann" in Hong Kong which is operated by WLS Limited with a proven track record of stable growth in turnover and profitability; and (ii) the future growth opportunities for the operation of "Thann" through the listed platform offered by the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	3,000
Less: cash and bank balances acquired	(143)
Net outflow of cash and cash equivalents included in cash flows from investing activities	2,857
Transaction costs of the acquisition included in cash flows from operating activities	200
	3,057

Since the acquisition, WLS Limited contributed HK$4,021,000 to the Group's revenue and profit for the year of HK$804,000 to the consolidated loss for the year between the date of acquisition and the end of the reporting period. Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$419,327,000 and HK$49,353,000, respectively. The proforma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2015, or is it intended to be a projection of future results.

31. DISPOSAL OF SUBSIDIARIES

On 5 January 2015, the Group formed a 90% owned subsidiary in Hong Kong (the "Project Company"). On 16 February 2015, Milan Station Internet Technology Limited ("MSIT") a 90% owned subsidiary, entered into an equity transfer agreement with the Project Company, pursuant to which MSIT transferred its 100% equity interest in 潮袋(上海)網絡科技有限公司, a PRC registered subsidiary of the Group, to the Project Company at a consideration of RMB3,000,000, and pursuant to another supplementary agreement on the same date entered into with the Project Company, such consideration receivable of RMB3,000,000 was waived by MSIT. The Project Company then allotted new shares, which represent 61.1% of the enlarged entire issued share capital of the Project Company, to an independent third party (the "Investor") for a subscription price of HK$13,750,000. Upon the completion of the subscription by the Investor on 2 March 2015, the Project Company has ceased to be a subsidiary of the Group. Although the Group held 35% equity interest in the Project Company, in accordance with shareholders deed entered into with other shareholders, the Group did not have the power to participate in the financial and operating policy decisions of the Project Company. The directors consider that the Group does not exercise significant influence over the Project Company because the Group does not have right to appoint any director in the board of directors and management of the Project Company. As a result, the Project Company was recognised as an available-for-sale investment of the Group.

	HK$'000
Net assets disposed of	
Property, plant and equipment	626
Inventories	2,562
Trade receivables	54
Prepayments and other receivables	1,394
Cash and bank balances	303
Amounts due to fellow subsidiaries	(1,777)
Accruals and other payables	(756)
	2,406
Gain on disposal of subsidiaries:	
Cash consideration	–
Net assets disposed of	(2,406)
Non-controlling interests	(290)
Fair value of equity interest retained in the Project Company	5,600
Gain on disposal before release of attributable reserve	2,904
Release of exchange fluctuation reserve upon disposal	(99)
Gain on disposal of subsidiaries	2,805
Net cash outflow arising on disposal:	
Cash received	–
Bank balances and cash disposed of	(303)
	(303)

32. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

On 16 February 2015, the Group entered into an agreement with a non-controlling interest pursuant to which, the Group acquired an additional 10% interest in MSIT at a consideration of HK$10. The carrying amount of the non-controlling interests in MSIT at the date of acquisition was a debit balance of HK$155,000. Upon completion of the acquisition on 2 March 2015, MSIT became a wholly owned subsidiary of the Group. The effect of changes in the ownership interest of MSIT on the equity attributable to owners of the Company during the year is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	(155)
Consideration paid to non-controlling interests	–
Excess of consideration paid recognised within equity	(155)

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the year ended 31 December 2015

	HK$'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in a subsidiary	(155)
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(155)

33. RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with related parties during the year:

		2015	2014
	Notes	**HK$'000**	HK$'000
Rental expenses paid to related companies	(i)	**8,997**	10,026
Rental deposit paid to a related company	(ii)	**–**	156
Purchases from a related company	(iii)	**384**	158
Renovation costs to a related company	(iv)	**–**	152
Legal and professional expenses to a related company	(v)	**296**	246

Notes:

(i) The Group has entered into lease agreements with certain related companies of which Mr. Yiu Kwan Tat ("Mr. Yiu"), Mr. Yiu Kwan Wai, Gary and Ms. Yiu Sau Wai ("Ms. Yiu") are also directors of these related companies. The rental expenses paid to these related companies were based on mutually agreed terms. Ms. Yiu has resigned as a director of the Company on 17 February 2014.

(ii) The rental deposit paid to a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms. On 9 January 2015, Mr. Yiu ceased to be the director and shareholder of a related company.

(iii) Purchases from a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms.

(iv) Renovation costs to a related company, in which the husband of Ms. Yiu has beneficial interest, were made on mutually agreed terms.

(v) Legal and professional expenses to a related company, in which Mr. Tam B Ray, Billy, a non-executive director of the Company, is a partner, were made on mutually agreed terms.

The directors are of the opinion that the above transactions were conducted in the ordinary course of business of the Group.

(b) Commitments under operating leases payable to related companies:

	2015	2014
	HK$'000	HK$'000
Within one year	**8,112**	11,394
In the second to fifth years, inclusive	**8,112**	–
	16,224	11,394

The leases related to the related companies run for an initial period of 1 to 2 years and the related commitments are included in note 34.

33. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group:

	2015	2014
	HK$'000	HK$'000
Short-term employee benefits	17,763	11,284
Equity-settled share option expense	4,417	2,502
Post-employment benefits	125	100
	22,305	13,886

Further details of directors' and chief executive's emoluments are included in note 8 to the financial statements.

34. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Contracted, but not provided for:		
Purchase of property, plant and equipment	–	1,219

(b) Operating lease commitments

The Group as lessee

The Group leases certain of its shops, office premises and warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to six years. Certain rentals for the use of shops are determined by reference to the revenue of the relevant shops for the year and the rentals for certain shops will be escalated by a fixed percentage per annum.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	42,376	47,127
In the second to fifth years, inclusive	55,679	65,917
	98,055	113,044

34. COMMITMENTS *(continued)*

(b) Operating lease commitments *(continued)*

The Group as lessor

The Group sub-leased a property to a third party for 4.6 years.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating lease falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	3,704	–
In the second to fifth years, inclusive	9,877	–
	13,581	–

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2015	2014
	HK$'000	HK$'000
Available-for-sale investments	2,600	–
Loans and receivables		
Trade receivables	9,168	9,748
Financial assets included in prepayments, deposits and other receivables	21,087	19,605
Pledged bank deposits	–	1,002
Cash and cash equivalents	82,069	59,703
	112,324	90,058
	114,924	90,058

35. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

	2015	2014
	HK$'000	HK$'000
Financial liabilities at amortised cost		
Trade payables	773	–
Financial liabilities included in accrued liabilities and other payables	18,679	19,528
Interest-bearing bank borrowings	–	24,479
Obligations under finance leases	860	462
	20,312	44,469

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, pledged bank deposits and interest-bearing borrowings. The Group has various other financial assets and liabilities such as available-for-sale investment and trade receivables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in accrued liabilities and other payables, and obligations under finance leases.

It is, and has been, throughout the year, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in the market interest rates relates primarily to the Group's debt obligations with floating interest rates.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

The interest rates of the interest-bearing bank borrowings of the Group are disclosed in note 22 to the financial statements. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact on floating rate bank borrowings).

	Increase in interest rate	Increase in loss before tax
	(basis points)	HK$'000
Year ended 31 December 2015	**N/A**	**N/A**
Year ended 31 December 2014	100	245

Foreign currency risk

The Group carries on its trading transactions mainly in HK$, RMB, US dollars, Euro and Singapore dollars ("SGD"). In respect of transactional exposures of the Group in currencies other than the functional currency, the Group ensures that the net exposure is kept to an acceptable level. It is the policy of the Group to continue maintaining the balances of its sales and purchases in the same currency. Since HK$ is pegged to US dollars, there is no significant exposure expected on US dollars transactions conducted by entities which functional currency is HK$. The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions and other financial assets and liabilities created in the ordinary course of business.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rates, with all other variables held constant, of the Group's loss before tax.

	Increase/ (decrease) in RMB rate	Increase/ (decrease) in loss before tax
	%	HK$'000
Year ended 31 December 2015		
If HK$ weakens against RMB	5	(611)
If HK$ strengthens against RMB	(5)	611
Year ended 31 December 2014		
If HK$ weakens against RMB	5	(935)
If HK$ strengthens against RMB	(5)	935

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The Group is not exposed to significant credit risk in relation to other financial assets such as cash and cash equivalents.

The Group reviews the recoverable amounts of individual debts at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group does not provide any guarantees which would expose the Group to credit risk.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables, and cash and cash equivalents and pledged bank deposits are disclosed in notes 19 and 20 to the financial statements.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	31 December 2015				
	On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash outflows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	773	–	–	773	773
Financial liabilities included in accrued liabilities and other payables	18,679	–	–	18,679	18,679
Obligations under finance leases	382	382	139	903	860
	19,834	382	139	20,355	20,312

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk *(continued)*

	31 December 2014				
	On demand and less than 1 year	Over 1 year but less than 2 years	Over 2 years but less than 5 years	Total undiscounted cash outflows	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Financial liabilities included in accrued liabilities and other payables	17,225	2,303	–	19,528	19,528
Interest-bearing bank borrowings*	24,479	–	–	24,479	24,479
Obligations under a finance lease	131	131	229	491	462
	41,835	2,434	229	44,498	44,469

* Included in interest-bearing bank borrowings is a bank loan of HK$24,479,000 as at 31 December 2014, which contains a repayment on demand clause giving the lender the unconditional right to call the loan at any time and therefore, for the purpose of the above maturity profile, the amount is classified as on demand.

Notwithstanding the above repayment on demand clause, the directors do not believe that the secured bank loan will be called in its entirety within 12 months, as they consider that the bank loan will be repaid in accordance with the maturity dates as set out in the agreement. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the secured bank loan, the principal and interest outflows will be HK$3,166,000 repayable within one year as at 31 December 2014; HK$3,166,000 repayable in the second year as at 31 December 2014; HK$9,498,000 repayable in the third to fifth years, inclusive, as at 31 December 2014 and HK$12,403,000 repayable beyond five years as at 31 December 2014.

Capital management

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities. The Group's policy is to keep the current ratio above 1. As at 31 December 2015, the Group's current ratio was 10.6 (2014: 4.4).

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015	2014
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	60	85
Investments in subsidiaries	42,000	85,000
Total non-current assets	42,060	85,085
CURRENT ASSETS		
Prepayments, deposits and other receivables	216	249
Tax recoverable	703	–
Due from subsidiaries	193,798	188,547
Cash and cash equivalents	4,677	649
Total current assets	199,394	189,445
CURRENT LIABILITIES		
Due to subsidiaries	18,411	9,304
Accrued liabilities and other payables	1,261	1,598
Total current liabilities	19,672	10,902
NET CURRENT ASSETS	179,722	178,543
NET ASSETS	221,782	263,628
EQUITY		
Issued capital	6,775	6,744
Reserves	215,007	256,884
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	221,782	263,628

Approved and authorised for issue by the board of directors on 23 March 2016 and signed on its behalf by:

YIU KWAN TAT
Director

YIU KWAN WAI, GARY
Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

A summary of the Company's reserves is as follows:

	Share premium account	Capital reserve	Share option reserve	Accumulated losses	Total
	HK$'000	HK$'000 *(Note (a))*	HK$'000	HK$'000	HK$'000
At 1 January 2014	173,102	555,000	5,167	(421,107)	312,162
Loss for the year and total comprehensive loss for the year	–	–	–	(59,015)	(59,015)
Equity-settled share-based transaction	–	–	3,737	–	3,737
Transfer of share option reserve upon the lapse of share options	–	–	(1,501)	1,501	–
At 31 December 2014 and 1 January 2015	173,102	555,000	7,403	(478,621)	256,884
Loss for the year and total comprehensive loss for the year	–	–	–	(48,577)	(48,577)
Equity-settled share-based transaction	–	–	4,814	–	4,814
Shares issued under share option scheme *(Note (b))*	2,732	–	(846)	–	1,886
Transfer of share option reserve upon the lapse of share options	–	–	(820)	820	–
At 31 December 2015	175,834	555,000	10,551	(526,378)	215,007

Notes:

a) The Company's capital reserve represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Reorganisation prior to the shares of the Company were listed on the Stock Exchange on 23 May 2011 (the "Listing"), over the nominal value of the Company's shares issued in exchange therefor.

b) The subscription rights attaching to 3,113,000 share options were exercised at the subscription price of HK$0.616 per share (Note 28), resulting in the issue of 3,113,000 shares for a total cash consideration after nil expenses, of HK$1,917,000. An amount of HK$846,000 was transferred from the share option reserve to share capital and share premium upon the exercise of the share options.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 March 2016.

Five Years Financial Summary

The following is a summary of the published results and assets and liabilities of the Group for the last five financial years prepared on the basis set out in the notes below.

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**399,679**	615,863	698,007	676,444	879,802
Cost of sales	**(308,007)**	(482,317)	(544,730)	(532,461)	(666,464)
Gross profit	**91,672**	133,546	153,277	143,983	213,338
Other income and gains, net	**16,044**	3,555	10,529	9,825	8,770
Selling expenses	**(94,216)**	(132,379)	(138,387)	(109,442)	(104,151)
Administrative and other operating expenses	**(60,858)**	(57,175)	(57,744)	(52,286)	(53,654)
Finance costs	**(428)**	(990)	(1,343)	(1,380)	(220)
(LOSS)/PROFIT BEFORE TAX	**(47,786)**	(53,443)	(33,668)	(9,300)	64,083
Income tax expense	**(849)**	(82)	(4,296)	(4,630)	(16,119)
(LOSS)/PROFIT FOR THE YEAR	**(48,635)**	(53,525)	(37,964)	(13,930)	47,964
Attributable to:					
Owners of the Company	**(48,242)**	(52,918)	(37,520)	(13,918)	47,964
Non-controlling interests	**(393)**	(607)	(444)	(12)	–
	(48,635)	(53,525)	(37,964)	(13,930)	47,964

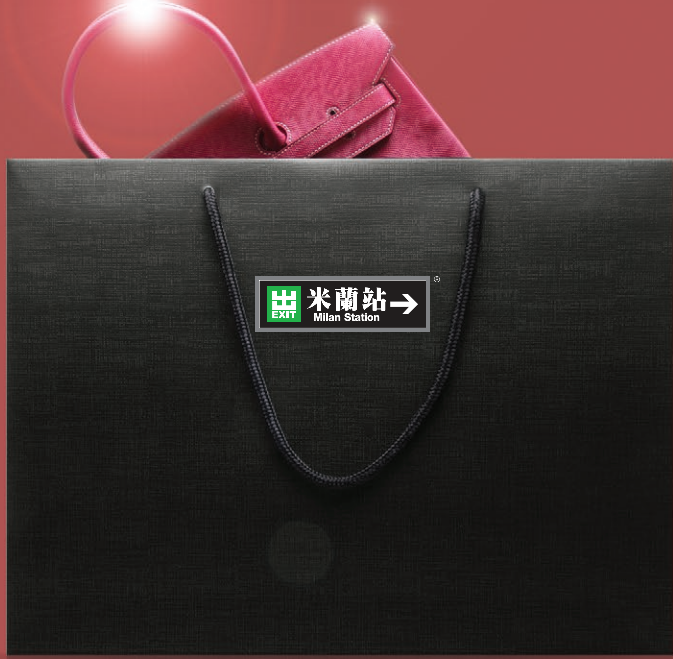
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**254,459**	323,923	380,962	415,417	399,970
TOTAL LIABILITIES	**(27,047)**	(53,275)	(58,180)	(57,124)	(28,344)
NON-CONTROLLING INTERESTS	**(3,901)**	(3,079)	(3,777)	(3,760)	–
	223,511	267,569	319,005	354,533	371,626

Note:

The consolidated results of the Group for each of the two years ended 31 December 2015 and 2014 and the consolidated assets and liabilities of the Group as at 31 December 2015 and 2014 are those set out on pages 49 to 51 of this annual report.

The summary above does not form part of the audited financial statements.



2015
年報

Stock Code: 1150

米蘭站控股有限公司
MILAN STATION HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)