米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1150

INTERIM REPORT 2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yiu Kwan Tat
(Chairman and Chief Executive Officer)
Mr. Yiu Kwan Wai, Gary
Mr. Wong Hiu Chor
Ms. Yiu Sau Wai

Non-executive Director

Mr. Tam B Ray, Billy

Independent Non-executive Directors

Mr. Ip Shu Kwan, Stephen
Mr. So, Stephen Hon Cheung
Mr. Lau Kin Hok

AUDIT COMMITTEE

Mr. So, Stephen Hon Cheung
(Chairman of audit committee)
Mr. Ip Shu Kwan, Stephen
Mr. Lau Kin Hok

REMUNERATION COMMITTEE

Mr. Lau Kin Hok
(Chairman of remuneration committee)
Mr. So, Stephen Hon Cheung
Mr. Ip Shu Kwan, Stephen
Mr. Yiu Kwan Tat
Mr. Wong Hiu Chor

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

Mr. Yiu Kwan Wai, Gary
Mr. Wong Hiu Chor

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 18-19, 18th Floor
Nan Fung Commercial Centre
No. 19 Lam Lok Street
Kowloon Bay, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman KY1-1107
Cayman Islands

Corporate Information

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

AUDITORS

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Jun He Law Offices
Suite 2008, 20/F., Jardine House
1 Connaught Place, Central
Hong Kong

LEGAL ADVISER AS TO THE PRC LAW

Jun He Law Offices
Suite 2008, 20/F., Jardine House
1 Connaught Place, Central
Hong Kong

COMPLIANCE ADVISOR

China Merchants Securities (HK) Co., Limited
48/F., One Exchange Square, Central
Hong Kong

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

Wing Hang Bank, Limited
DBS Bank (Hong Kong) Limited
CITIC Bank International Limited

THE PRC

China Construction Bank
DBS Bank (China) Limited

Condensed Consolidated Income Statement

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Milan Station Holdings Limited (the "Company") is pleased to present the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2011 (the "Period") together with the comparative figures for the corresponding period in 2010 and the relevant explanatory notes as set out below. The interim results for the Period are unaudited, but have been reviewed by the audit committee (the "Audit Committee") of the Company.

		For the six months ended 30 June	
	Notes	2011	2010
		(Unaudited) HK$'000	(Unaudited) HK$'000
REVENUE	5	430,182	352,744
Cost of sales		(322,515)	(270,115)
Gross profit		107,667	82,629
Other income and gains	5	3,280	117
Selling expenses		(49,388)	(40,405)
Administrative and other operating expenses		(18,464)	(11,043)
Finance costs	6	(98)	(126)
PROFIT BEFORE TAX	7	42,997	31,172
Income tax expense	8	(8,841)	(5,822)
PROFIT FOR THE PERIOD		34,156	25,350
Profit attributable to:			
Equity holders of the Company		34,156	25,350
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10		
Basic and diluted		5.99 cents	4.68 cents

Details of the dividends are disclosed in note 9 to the financial statements.

Condensed Consolidated Statement of Comprehensive Income

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
PROFIT FOR THE PERIOD	34,156	25,350
Other comprehensive income:		
Exchange differences on translating foreign operations	108	12
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	34,264	25,362
Total comprehensive income attributable to:		
Equity holders of the Company	34,264	25,362

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2011	31 December 2010
		(Unaudited) HK$'000	(Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		6,766	9,082
Deferred tax assets		1,231	1,231
Rental deposits		12,905	10,719
Other deposits		1,444	—
Total non-current assets		22,346	21,032
CURRENT ASSETS			
Inventories		114,581	89,007
Trade receivables	11	5,525	9,691
Prepayments, deposits and other receivables		13,774	17,295
Tax recoverable		427	729
Pledged deposit		1,503	1,500
Cash and cash equivalents		243,823	26,640
Total current assets		379,633	144,862

Condensed Consolidated Statement of Financial Position *(continued)*

	Notes	30 June 2011	31 December 2010
		(Unaudited) HK$'000	(Audited) HK$'000
CURRENT LIABILITIES			
Accrued liabilities and other payables		14,448	19,575
Interest-bearing bank borrowings		3,806	5,771
Obligation under finance leases		117	134
Tax payable		11,237	4,967
Provision		1,407	1,407
Total current liabilities		31,015	31,854
NET CURRENT ASSETS		348,618	113,008
TOTAL ASSETS LESS CURRENT LIABILITIES		370,964	134,040
NON-CURRENT LIABILITIES			
Obligations under finance leases		221	268
Deferred tax liability		177	177
Total non-current liabilities		398	445
Net assets		370,566	133,595
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	12	6,744	—
Reserves		363,822	133,595
Total equity		370,566	133,595

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 Note (a)	Merger reserve HK$'000	Statutory reserve fund HK$'000 Note (b)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2011	—	—	10	(23,782)	836	319	156,212	133,595
Exchange differences arising on translation of foreign operations	—	—	—	—	—	108	—	108
Profit for the period	—	—	—	—	—	—	34,156	34,156
Total comprehensive income for the period	—	—	—	—	—	108	34,156	34,264
Acquisition of a subsidiary pursuant to the reorganisation	10	(10)	—	—	—	—	—	—
Transfer to statutory reserve	—	—	—	—	218	—	(218)	—
Capitalisation issue credited as fully-paid conditional on the share premium account of the Company, being credited as a result of issuance of new shares to the public	5,406	(5,406)	—	—	—	—	—	—
Issue of new shares to public	1,328	220,428	—	—	—	—	—	221,756
Share issue expenses	—	(19,049)	—	—	—	—	—	(19,049)
At 30 June 2011	6,744	195,963*	10*	(23,782)*	1,054*	427*	190,150*	370,566

Notes:

(a) 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.

(b) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiary 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 subsidiary's 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.

Condensed Consolidated Statement of Changes in Equity *(continued)*

	Attributable to equity holders of the Company							
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000 Note (a)	Merger reserve HK$'000	Statutory reserve fund HK$'000 Note (b)	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2010	—	—	10	(23,782)	249	89	116,978	93,544
Exchange differences arising on translation of foreign operations	—	—	—	—	—	12	—	12
Profit for the period	—	—	—	—	—	—	25,350	25,350
Total comprehensive income for the period	—	—	—	—	—	12	25,350	25,362
At 30 June 2010	—	—*	10*	(23,782)*	249*	101*	142,328*	118,906

* These reserve accounts comprise the consolidated reserves of HK$363,822,000 (30 June 2010: HK$118,906,000) in the condensed consolidated statement of financial position.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	17,945	(1,318)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(21,516)	(1,447)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES	200,365	(6,176)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	196,794	(8,941)
Cash and cash equivalents at beginning of the period	26,605	39,962
Effect of foreign exchange rates, net	77	12
CASH AND CASH EQUIVALENTS AT END OF PERIOD	223,476	31,033
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	51,547	23,247
Non-pledged time deposits with original maturity of three months or less when acquired	172,276	7,786
Non-pledged time deposit with original maturity of over three months when acquired	20,000	—
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	243,823	31,033
Less: Time deposit with original maturity of over three months when acquired	(20,000)	—
Bank overdrafts	(347)	—
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	223,476	31,033

1. REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to the group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subisidiaries in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of Milan Station (BVI) Limited ("MS (BVI)") and its subsidiaries (hereinafter collectively referred to as the "Group") on 28 April 2011.

Further details of the Reorganisation are set out in the Company's listing prospectus dated 11 May 2011 (the "Prospectus").

The shares of the Company were listed on the Stock Exchange on 23 May 2011 ("Listing").

Since the Company and the companies now comprising the Group were under common control both before and after the completion of the Reorganisation, the Reorganisation was accounted for using merger method of accounting. The financial statements have been prepared on the basis as if the Company has always been the holding company of the companies now comprising the Group.

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2011 include the results of all companies now comprising the Group, as if the current structure had been in existence throughout the six months ended 30 June 2011, or since their respective dates of acquisition, incorporation/establishment, where this is a shorter period.

The condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of cash flows and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2010 have been prepared on a combined basis and include the financial statements of the companies now comprising the Group as if the current group structure had been in existence throughout the period, or since their respective dates of acquisition or incorporation/establishment, where this is the shorter period.

The consolidated statement of financial position of the Group as at 31 December 2010 has been prepared to present the state of affairs of the Group as if the current group structure had been in existence at that date or since the respective dates of acquisition or incorporation/establishment, whichever is the shorter period.

In the opinion of the directors of the Company, the condensed consolidated interim financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011 has been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements of the Group for the year ended 31 December 2010 ("Financial Year of 2010"), except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and interpretations) in the current period for the first time as disclosed in note 3.1 below. This interim financial statements should be read in conjunction with the Group's accountants' report included in the Prospectus.

Notes to Condensed Consolidated Interim Financial Statements

3.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs were adopted for the first time for the current period's condensed consolidated interim financial statements:

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

The adoption of these new and revised HKFRSs has had no significant financial effect on these condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these condensed consolidated interim financial statements.

3.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in the Group's condensed consolidated interim financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [1]
HKFRS 9	*Financial Instruments* [4]
HKFRS 10	*Consolidated Financial Statements* [4]
HKFRS 11	*Joint Arrangements* [4]
HKFRS 12	*Disclosure of Interests in Other Entities* [4]
HKFRS 13	*Fair Value Measurement* [4]
HKAS 1 (Revised)	*Presentation of Financial Statements* [3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [2]
HKAS 19 (2011)	*Employee Benefits* [4]
HKAS 27 (2011)	*Separate Financial Statements* [4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures* [4]

1 Effective for annual periods beginning on or after 1 July 2011
2 Effective for annual periods beginning on or after 1 January 2012
3 Effective for annual periods beginning on or after 1 July 2012
4 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these amendments are unlikely to have a significant impact on the financial position or performance of the Group.

4. OPERATING SEGMENT INFORMATION

The Group's primary operating segment is the retailing of handbags, fashion accessories and embellishments. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the location of customers, and the non-current assets information is based on the location of the assets.

	Hong Kong	Macau	Mainland China	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2011				
Revenue from external customers	373,187	23,877	33,118	430,182
Non-current assets	5,444	358	2,408	8,210
Capital expenditure	74	—	13	87

	Hong Kong	Macau	Mainland China	Total
	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2010				
Revenue from external customers	317,597	18,271	16,876	352,744
Non-current assets	9,027	633	685	10,345
Capital expenditure	1,659	2	5	1,666

The non-current asset information excludes rental deposits and deferred tax assets.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the period (six months ended 30 June 2010: Nil), no information about major customers is presented.

5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
Revenue		
Sale of goods	430,182	352,744
Other income and gains		
Bank interest income	15	9
Gain on disposal of items of property, plant and equipment	—	93
Gross rental income	3,190	—
Others	75	15
	3,280	117
	433,462	352,861

6. FINANCE COSTS

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
Interest on:		
Bank overdrafts	11	4
Bank loans wholly repayable within five years	79	103
Finance leases	8	19
	98	126

Notes to Condensed Consolidated Interim Financial Statements

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
Cost of inventories sold	322,215	270,115
Provision for slow-moving inventories	2,220	401
Depreciation	2,088	3,180
Minimum lease payments under operating leases in respect of land and buildings	29,418	18,808
Employee benefit expenses (excluding directors' remuneration)		
Wages and salaries	16,109	12,326
Pension scheme contributions	487	461
	16,596	12,787
Auditors' remuneration	500	540
Write-off of items of property, plant and equipment	345	—
Rental income less direct operating expenses of HK$2,667,000 (six months ended 30 June 2010: Nil)	(523)	—
Gain on disposal of items of property, plant and equipment	—	(93)
Bank interest income	(15)	(9)

8. INCOME TAX

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% for the periods ended 30 June 2011 and 2010. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the "New PRC Tax Law") of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiary operating in the PRC during the period was 25% on its taxable profit. Macau complementary tax has been provided at progressive rates up to a maximum of 12% on the estimated taxable profits.

	For the six months ended 30 June	
	2011	2010
	(Unaudited) HK$'000	(Unaudited) HK$'000
Current charge for the period		
– Hong Kong	6,486	4,608
– Elsewhere	2,355	1,214
Total tax charge for the period	8,841	5,822

9. DIVIDENDS

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Proposed dividends declared and payable after interim period:		
Interim dividend of HK1.52 cents		
(six months ended 30 June 2010: Nil)		
per ordinary share based on 674,374,000 shares in issue	**10,250**	—
Special dividend of HK1.27 cents		
(six months ended 30 June 2010: Nil)		
per ordinary share based on 674,374,000 shares in issue	**8,565**	—
	18,815	—

The Board has resolved to pay an interim dividend and a special dividend of HK1.52 cents and HK1.27 cents per share, respectively (six months ended 30 June 2010: Nil), which will be paid in cash, for the six months ended 30 June 2011 payable on or around 4 October 2011 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 19 September 2011.

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2011 is based on the profit attributable to equity holders of the Company of HK$34,156,000 (six months ended 30 June 2010: HK$25,350,000) and the weighted average number of ordinary shares in issue during the six months ended 30 June 2011 of 569,793,790 (six months ended 30 June 2010: 541,586,000).

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes the 1,000,000 ordinary shares in issue, 540,586,000 ordinary shares issued during the six months ended 30 June 2011 pursuant to the capitalisation issue as if the shares had been in issue throughout the six months ended 30 June 2011, 132,788,000 ordinary shares issued on 23 May 2011 in connection with the listing of the Company's ordinary shares on the Stock Exchange, including 24,374,000 ordinary shares issued on 26 May 2011 upon exercise of the over-allotment option described in the Prospectus in connection with the Company's initial public offering.

The number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2010 was based on the 541,586,000 ordinary shares, representing the number of shares of the Company immediately after the capitalisation issue, as if the shares had been in issue throughout the six months ended 30 June 2010.

No adjustment has been made to basic earnings per share amounts presented for the six months ended 30 June 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during these periods.

11. 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. Trade receivables are non-interest-bearing.

All receivables that were neither past due nor impaired relate mainly to credit card receivables from banks for whom there was no recent history of default.

12. SHARE CAPITAL

The following changes in the Company's authorised and issued share capital took place during the period from 1 November 2007 (date of incorporation) to 30 June 2011:

	Notes	Number of ordinary shares	Nominal value of ordinary shares
			HK$'000
Authorised:			
Upon incorporation (38,000,000 shares of HK$0.01) and as at 31 December 2010	(a)	38,000,000	380
Increase in authorised capital on 28 April 2011	(b)	1,962,000,000	19,620
As 30 June 2011		2,000,000,000	20,000
Issued and fully paid:			
Upon incorporation (1 share of HK$0.1 allotted and issued as nil-paid) and as at 31 December 2010		1	—
On acquisition of MS (BVI) on 28 April 2011 – allotment and issuance of 999,999 shares credited as fully paid	(c)	999,999	10
Capitalisation issue	(d)	540,586,000	5,406
New issue of shares	(e)	132,788,000	1,328
At 30 June 2011		674,374,000	6,744

Notes:

(a) On 1 November 2007, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was authorised to issue up to 38,000,000 shares of HK$0.01 each.

One nil-paid share was issued and allotted to Codan Trust Company (Cayman) Limited, which was transferred to World Top Trading Limited ("World Top") on the same day. On 21 September 2010, World Top transferred the share to Perfect One Enterprises Limited ("Perfect One") at par value.

(b) Pursuant to the written resolutions of the sole shareholder passed on 28 April 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of an additional 1,962,000,000 shares.

(c) Pursuant to a resolution passed on 28 April 2011, Perfect One acquired the entire issued share capital of MS (BVI) from World Top at a consideration of US$1. On the same day, the Company acquired the entire issued share capital of MS (BVI) from Perfect One, in consideration of the allotment and issue of 999,999 shares at par value, all credited as fully paid up, to Perfect One.

12. SHARE CAPITAL *(continued)*

Notes: *(continued)*

(d) Pursuant to a resolution passed on 28 April 2011, 540,586,000 new shares of HK$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately HK$5,405,860 from the share premium account, to the then shareholder, whose name appeared on the register of the Company at close of business on 28 April 2011.

(e) In connection with the Company's initial public offering ("IPO"), 108,414,000 shares of HK$0.01 each were issued at a price of HK$1.67 per share on 23 May 2011 for a total cash consideration, before related issuance expenses, of HK$181,051,380. Dealing in these shares on the Stock Exchange commenced on 23 May 2011.

In connection with the Company's IPO, an over-allotment option was granted to China Merchants Securities (HK) Co., Limited, the sole global coordinator (the "Sole Global Coordinator"), whereby the Sole Global Coordinator has the right to request the Company to issue and allot up to an aggregate of 24,374,000 additional shares of HK$0.01 each to subscribers under the IPO. On 23 May 2011, the Sole Global Coordinator exercised the over-allotment option and accordingly, 24,374,000 shares of HK$0.01 each were issued by the Company at a price of HK$1.67 per share for a total cash consideration, before related issuance expenses, of HK$40,704,580. Dealing in these shares on the Stock Exchange commenced on 26 May 2011.

13. OPERATING LEASE COMMITMENTS

(a) As lessor

The Group sub-leases a premise under operating lease arrangements. Lease for this property is negotiated for a term of two years. The term of the lease also requires the tenant to pay a security deposit. As at 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating lease falling due as follows:

	30 June 2011	31 December 2010
	(Unaudited) HK$'000	(Audited) HK$'000
Within one year	6,960	6,698
In the second to fifth years, inclusive	3,480	6,960
	10,440	13,658

13. OPERATING LEASE COMMITMENTS *(continued)*

(b) 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.

As at 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011	31 December 2010
	(Unaudited) HK$'000	(Audited) HK$'000
Within one year	65,095	47,467
In the second to fifth years, inclusive	78,217	72,967
More than five years	3,644	—
	146,956	120,434

14. COMMITMENTS

Other than the operating lease commitments detailed in note 13 above, the Group had the following capital commitments at the end of the reporting periods:

	30 June 2011	31 December 2010
	(Unaudited) HK$'000	(Audited) HK$'000
Contracted, but not provided for:		
Additions of property, plant and equipment	1,342	38

15. RELATED PARTY TRANSACTIONS

(i) The Group had the following material transactions with related parties during the periods:

		For the six months ended 30 June	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	HK$'000	HK$'000
Rental expenses paid to related companies	(a)	2,658	1,811
Purchases from a related company	(b)	42	160
Payments for purchases of property, plant and equipment from a related company	(c)	444	—

Notes:

(a) The Group has entered into lease agreements with certain related companies of the Company 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 related companies were based on mutually agreed terms.

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

(c) Purchases of property, plant and equipment from a related company, in which the husband of Ms. Yiu has beneficial interest, were made on mutually agreed terms.

(ii) Compensation of key management personnel of the Group during the period are as follows:

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	4,197	2,780
Post-employment benefits	36	24
	4,233	2,804

15. RELATED PARTY TRANSACTIONS *(continued)*

(iii) During the periods ended 30 June 2011 and 2010, the bank loans and overdrafts were supported by a personal guarantee executed by Mr. Yiu and a corporate guarantee executed by Excel Trend Limited ("Excel Trend") and a finance lease was supported by a personal guarantee executed by Mr. Yiu. In addition, Excel Trend has arranged a bank to issue bank guarantees in lieu of rental deposits in relation to a shop leased by the Group up to HK$384,000 as at 30 June 2010. The personal guarantee and corporate guarantee have been released after the Listing.

(iv) During the periods ended 30 June 2011 and 2010, Mr. Yiu, a director of the Company, provided personal guarantees to landlords of certain group companies for default of rental payment or other payables in accordance with the tenancy agreements. The personal guarantee has been released after the Listing.

(v) Pursuant to undertakings dated 2 May 2011, Perfect One and Mr. Yiu, the sole beneficial owner of Perfect One, agreed to bear the listing expenses (excluding the underwriting commission) in relation to the listing of the shares of the Company on the Stock Exchange in the percentage of 541,586,000 shares over the total number of issued shares of the Company immediately upon the Listing, and take into account of the number of shares to be issued pursuant to the exercises of the over-allotment option to be granted by the Company as further detailed in the paragraph headed "Over-allotment and Stabilisation" to the Prospectus.

16. CONTINGENT LIABILITIES

Before the date of the Listing, Milan Station (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, provided unlimited financial guarantees (the "Unlimited Guarantees") to a bank in connection with the bank loans and other banking facilities granted to certain of its related companies of which Mr. Yiu is also a director and shareholder. The banking facilities granted to those related companies that are subject to guarantees given to the banks were utilised to the extent of approximately HK$71,893,000 as at 31 December 2010. The Unlimited Guarantees has been released after the Listing.

17. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2011.

Management Discussion and Analysis

MARKET OVERVIEW

During the first half of 2011, various economic indicators pointed to a slowdown in the US economy, the European debt crisis continued, global economic growth was dependent on the Asian regions and driven by a number of emerging economies. Amidst the environment of rising inflation, the PRC government strengthened the macroeconomic controls further and tightened its monetary policy. Nevertheless, fundamental factors, such as acceleration of urbanisation, increases in per capita income and consumer purchasing power remained unchanged, continued to fuel domestic consumption, supporting the trend of strong economic growth in the PRC that brought about steady growth in the economies of both Hong Kong and Macau.

Hong Kong Retail Market

In the first half of 2011, the Hong Kong luxury product retail market maintained good atmosphere. There had been a continued inflow of visitors to Hong Kong and spending by visitors on purchases increased. The total number of visitor arrivals for the first half of 2011 increased by 16.0% year on year to more than 3 million. Mainland China was still an important source of visitors to Hong Kong. During the Period, visitor arrivals reached 1.9 million, representing an annual growth rate of 23.0%. The strength of RMB also further drove spending by visitors from Mainland China in Hong Kong. During April to June 2011, the local unemployment rate remained at 3.5%, a low for two and a half years. The buoyant stock and property markets also contributed to reinforcing Hong Kong people's spending desire.

The PRC Retail Market

In the first half of 2011, the economy of the PRC continued to grow steadily. The spending power of affluent cities remained strong, which became a major factor for driving the growth of the PRC retail market. The Central Government promulgated "Domestic Trade Development Plan" in this year's "12th Five-year Plan", with the objective of increasing the total retail sales of social consumer goods to more than RMB30 trillion by 2015, representing an increase of 100% over last year. With an improvement in the general living standard in the PRC, increased brand awareness and supported by aggressive long-term domestic demand policies, the proportion of luxury product consumption will gradually increase. In fact, the strong demand for luxury branded products has attracted more international top-end luxury brands to open flagship stores in the PRC, demonstrating the huge potential of the luxury product consumption market in the PRC.

From 2006 to 2010, the sales value of the luxury branded handbag market in the PRC rocketed at a compound annual growth rate (the "CAGR") of approximately 31.0%. The estimated sales value in 2011 was approximately RMB11.1 billion. The continued increase in the disposable income of the affluent class in cities of the PRC will become a key driving force providing impetus to the sales of luxury branded handbags in the PRC.

Macau Retail Market

In recent years, the gambling industry in Macau has been developing vigorously, with a sharp increase in visitor arrivals. According to the Macau Statistical Bureau, visitor arrivals were approximately 2.2 million in June this year, an increase of 14.5% year on year. Stimulated by visitor spending, the retail industry grew substantially. Various large shopping centres and casinos were successively completed, attracting international renowned brands and retailers to enter the Macau market to strive for market shares in the tourism market. Between 2006 and 2010, the CAGR of the Macau luxury branded handbag market was approximately 17.6% and the estimated sales value in 2011 was approximately MOP926 million.

Management Discussion and Analysis

BUSINESS REVIEW

Milan Station's success is attributable to our strong brand equity and management's ability to identify and seize market trends. In addition, our continuous efforts in protecting our intellectual property rights and our rigorous purchase and product examination procedures have played an instrumental role in driving Milan Station's development over the years. In the first half of 2011, the total business revenue of "Milan Station" and "France Station" retail shops under the Group in Hong Kong, the PRC and Macau was approximately HK$430.2 million, representing an increase of approximately 22.0% over the same period last year. The total comprehensive income for the Period was approximately HK$34.3 million, representing an increase of approximately 35.0% over the same period last year. The total revenue contributed by Hong Kong, the PRC and Macau was 86.8%, 7.7% and 5.5%, respectively. The gross profit margin was 24.1%, 36.6% and 32.2%, respectively.

Hong Kong

In the first half of 2011, the business sales for Hong Kong was approximately HK$373.2 million, representing an increase of 17.5% over the same period last year. The increase was mainly driven by spending of visitors in Hong Kong and favourable conditions in the local economy.

The market continued to earnestly pursue luxury branded products with a limited supply, leading to a sharp increase in the sales amount and sales volume of the Group's expensive handbag products priced above HK$50,000 which increased by 66.8% to approximately HK$219.4 million and by 22.0% to 1,432 items respectively, representing 58.8% of the total sales of the Hong Kong retail business.

In Hong Kong, we continued to strengthen our competitiveness and leading market position in the Hong Kong luxury product market through improving and optimising the existing retail shop portfolio, continued marketing and promotion, staff training and development, improving staff's sales skills etc..

During the Period, we continued to actively implement diversified and multi-channel advertising and promotion strategies to boost our brand image and product sales, including cooperating with various banks to launch credit card shopping benefits, sponsoring movie and media publicity events, establishing various large outdoor billboards in commercial areas with high pedestrian flow and providing various sales promotion event and discount benefits to members registered under "Milan Station Loyalty Membership Scheme". As of 30 June 2011, the registered members of "Milan Station Loyalty Membership Scheme" reached 9,129.

To restructure the Group's retail shop portfolio, we decided to terminate the lease agreement of the shop in Woodhouse, Tsim Sha Tsui on 28 June 2011 and move the shop to the APM shopping mall with higher customer traffic in Kwun Tong. The new shop was opened on 19 August 2011. During the Period, rent for retail shops increased by approximately 26.5% to approximately HK$20.5 million (six months ended 30 June 2010: HK$16.2 million). However, since the Group managed to grasp consumers' demand for premium-priced handbags, the Group was able to effectively control the level of rent within 5.5% of the income. Under the inflationary environment, both purchasing prices of products and prices of products sold by the Group increased. The average selling price of products increased by approximately 56.2% year on year. However, because of the strong market demand for second-hand luxury branded handbags, the Group managed to transfer part of the costs to consumers successfully.

The PRC

The Group's retail business in the PRC benefited from the buoyant retail industry in the Mainland and continued to achieve outstanding sales results. As at 30 June 2011, the Group operated two "Milan Station" retail shops in Beijing, the PRC which are located in China Central Place, Beijing and Sanlitun, Beijing respectively. Total sales during the Period amounted to approximately HK$33.1 million, representing an increase of 95.9% over the same period last year. More than 50% of the sales income was generated from handbag products priced above HK$50,000. The proportion of total revenue generated by the PRC business increased significantly from 4.8% between January and June last year to 7.7% for the same period this year.

The initial public offering of the Group in May this year was well-received and was widely covered by media in the Mainland China, which brought positive publicity effects. While indirectly enhancing the brand recognition of "Milan Station" in the Mainland China, this made the consumption model of dealing in "second-hand branded handbags" more acceptable by the public. This was not only reflected in increased customer traffic at the retail shops but also in a substantial increase in the number of customers selling second-hand handbags at the retail shops. This also effectively increased the Group's stock supply, which facilitated the Group to continue to expand its business scale in the PRC.

The Group aimed to develop the fast-growing luxury product and second-hand brand market in the Mainland China. We were active yet prudent and selective in identifying shops in target cities and conducting negotiations in the first half of this year. As of 30 June 2011, the Group again entered into one lease agreement for a new shop in Chaoyang district, Beijing. Besides, the Group obtained the business license from the Shanghai Municipal Government and entered into two lease agreements for new shops in Nanjing West Road, Shanghai and Changning district, Shanghai. It is anticipated these new shops may open for business by the end of 2011. Meanwhile, the tax incentives *(Note 1)* currently enjoyed by the Group in Beijing was also extended to Shanghai.

In addition, to protect the "Milan Station" trademark, we have also been proactive in fighting against counterfeit shops and websites in Mainland cities. As of 30 June 2011, we filed cases in Shanghai, Shenzhen and Guangzhou concerning counterfeit "Milan Station" shops in these cities and the cases in Shenzhen and Guangzhou have been accepted by the local courts. Furthermore, we again found counterfeit "Milan Station" shops in Tianjin and have carried out an investigation. As for Hong Kong, we have also taken legal action to fight against the relevant counterfeit websites.

Note 1: Currently, the PRC imposes a value-added tax of 4% on second-hand products sold by our Group and grants a tax incentive of a reduction in taxes by 50%.

Macau

During the Period, the Group operated one "Milan Station" retail shop in Rua de S. Domingos, Macau. The shop is located in Macau's tourist area with strong pedestrian flow. In the first half of 2011, the shop recorded total sales of approximately HK$23.9 million, representing an increase of 31.3% over the same period last year, with steady performance.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the period under review, revenue increased to approximately HK$430.2 million, representing an increase of 22.0% as compared to approximately HK$352.7 million recorded in the same period last year. Handbags were the most important product category for the Group, representing over 99.3% of the total revenue of the Group. Sales of unused products also increased significantly and the revenue generated increased from approximately HK$169.2 million recorded in the same period last year, representing 48.0% of the total revenue of the Group, to approximately HK$233.8 million during the period under review, representing 54.3% of the total revenue of the Group.

Growth in the sales of premium priced products was the major driving force of revenue growth for the Group. Revenue generated from the sales of premium priced products above HK$50,000 increased from approximately HK$141.4 million during the same period last year, representing 40.1% of the total revenue of the Group, to approximately HK$245.8 million during the reporting period, representing 57.1% of the total revenue of the Group. With increasing future demand for premium priced products from the PRC tourists, revenue from the sales of premium priced handbag products will continue to increase, and such a trend is expected to generate more revenue for the Group.

Since most of the retail shops under the brand name of "Milan Station" are located in Hong Kong, therefore, the source of revenue also concentrates in the Hong Kong market. During the six months ended 30 June 2011, the revenue generated from the Hong Kong market was approximately HK$373.2 million, representing approximately 86.8% of the total revenue of the Group for the Period. Revenue growth was also recorded in the China market, increasing from approximately HK$16.9 million during the same period last year to approximately HK$33.1 million for the current period.

The table below sets out the breakdown of the Group's revenue recorded during the six months ended 30 June 2011 and 2010 by product categories, by price range of products and by geographical locations and their respective approximate percentages in the total revenue of the Group:

	For the six months ended 30 June				
	2011		2010		Percentage change in revenue
	HK$ million	(Percentage of total revenue)	HK$ million	(Percentage of total revenue)	(%)
By product categories (handbags and other products)					
Handbags	427.3	99.3	348.4	98.8	22.6
Other products	2.9	0.7	4.3	1.2	(32.6)
Total	430.2	100.0	352.7	100.0	22.0
By product categories (unused and second-hand products)					
Unused products	233.8	54.3	169.2	48.0	38.2
Second-hand products	196.4	45.7	183.5	52.0	7.0
Total	430.2	100.0	352.7	100.0	22.0
By price range of products					
Within HK$10,000	96.5	22.5	123.6	35.0	(21.9)
HK$10,001 - HK$30,000	69.9	16.2	78.7	22.3	(11.2)
HK$30,001 - HK$50,000	18.0	4.2	9.0	2.6	100.0
Above HK$50,000	245.8	57.1	141.4	40.1	73.8
Total	430.2	100.0	352.7	100.0	22.0
By geographical locations					
Hong Kong	373.2	86.8	317.6	90.0	17.5
The PRC (1)	33.1	7.7	16.9	4.8	95.9
Macau	23.9	5.5	18.2	5.2	31.3
Total	430.2	100.0	352.7	100.0	22.0

(1) The retail shop located at Sanlitun Road, Beijing, commenced business in August 2010.

Cost of sales

For the six months ended 30 June 2011, the cost of sales for the Group was approximately HK$322.5 million, increased by 19.4% year-on-year. Cost of sales mainly consists of the cost of inventories sold by the Group's suppliers, the production costs relating to outsourced design and manufacturing expenses for the Group's "MS" brand products and costs of consignment products.

Management Discussion and Analysis

Gross profit and gross profit margin

The Group's gross profit and gross profit margin showed stable performance during the period under review. Gross profit margin of handbag products increased by 1.8 percentage points from 23.7% last year to maintain at the level of 25.5%. By price range of products, gross profit of products in various price ranges displayed a rising trend. Gross profit margin of products below HK$10,000 remained stable at 33.7%. Gross profit margin of products in other price ranges, such as products in the price range of between HK$30,001 and HK$50,000 and above HK$50,000, also recorded a slight increase. During the Period, gross profit margin of products above HK$50,000 was 22.3%, it is expected that there will be more room for increase.

The table below sets out the breakdown of gross profit and gross profit margin of the Group for the six months ended 30 June 2011 and 2010 by product categories, price range of products and geographical locations:

	For the six months ended 30 June				
	2011		2010		Change
	Gross profit HK$ million	Gross profit margin (%)	Gross profit HK$ million	Gross profit margin (%)	(%)
By product categories (handbags and other products)					
Handbags[1]	109.0	25.5	82.7	23.7	31.8
Other products[1]	0.8	27.6	0.7	16.3	14.3
Less: provision for slow-moving inventories, inventories written off and other costs	(2.1)		(0.8)		
Total	107.7	25.0	82.6	23.4	30.4
By product categories (unused and second-hand products)					
Unused products[1]	50.0	21.4	28.7	17.0	74.2
Second-hand products[1]	59.8	30.4	54.7	29.8	9.3
Less: provision for slow-moving inventories, inventories written off and other costs	(2.1)		(0.8)		
Total	107.7	25.0	82.6	23.4	30.4

	For the six months ended 30 June				
	2011		2010		Change
	Gross profit HK$ million	Gross profit margin (%)	Gross profit HK$ million	Gross profit margin (%)	(%)
By price range of products					
Within HK$10,000[(1)]	32.5	33.7	40.2	32.5	(19.2)
HK$10,001 - HK$30,000[(1)]	18.7	26.8	18.6	23.6	0.5
HK$30,001 - HK$50,000[(1)]	3.7	20.6	1.6	17.8	131.3
Above HK$50,000[(1)]	54.9	22.3	23.0	16.3	138.7
Less: provision for slow-moving inventories, inventories written off and other costs	(2.1)		(0.8)		
Total	107.7	25.0	82.6	23.4	30.4
By geographical locations					
Hong Kong[(1)]	90.0	24.1	71.8	22.6	25.3
The PRC[(1)and(2)]	12.1	36.6	5.3	31.4	128.3
Macau[(1)]	7.7	32.2	6.3	34.6	22.2
Less: provision for slow-moving inventories, inventories written off and other costs	(2.1)		(0.8)		
Total	107.7	25.0	82.6	23.4	30.4

(1) The gross profit does not include the provision for slow-moving inventories, inventories written off and other costs. Accordingly, the gross profit margin is calculated as the gross profit before provision for slow-moving inventories, inventories written off and other costs divided by total revenue and multiplied by 100%.

(2) The retail shop located at Sanlitun Road, Beijing, commenced business in August 2010.

Other income and gains

Other income and gains for the Period amounted to approximately HK$3.3 million, increased by HK$3.2 million as compared to the same period last year, this was primarily attributable to the total rental income of approximately HK$3.2 million generated from sub-leasing to a third party by the Group during the Period.

Selling expenses

Major items of the Group's selling expenses include rent and rates, employee benefit expenses for sales staff, bank debit and credit card charges. For the six months ended 30 June 2011, selling expenses of the Group were approximately HK$49.4 million, representing 11.5% of its revenue (six months ended 30 June 2010: approximately HK$40.4 million, representing 11.5% of revenue). Selling expenses continued to grow during the period under review, mainly due to an increase in the rent and rates of retail shops and employee benefit expenses for sales staff.

Of the selling expenses, approximately HK$1.2 million were advertising expenses, decreased by approximately HK$0.3 million as compared to the same period last year, accounting for approximately 0.3% of the total turnover, representing a decrease of 0.1 percentage points as compared to approximately 0.4% recorded during the same period last year. It is anticipated the advertising expenses for the whole year as a percentage of sales will increase slightly, which is mainly attributable to the Group's active implementation of diversification and multi-channel development in advertising and promotional strategies that strengthened the brand image and sales of products, including sponsorship for movies and media publicity campaigns, as well as outdoor billboards located in central business districts with busy pedestrian traffic, etc..

Management Discussion and Analysis

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2011 amounted to approximately HK$18.5 million, increased by approximately HK$7.5 million as compared to the same period year-on-year, representing approximately 4.3% of the turnover. The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank borrowings, overdrafts, and finance leases. Finance costs decreased from approximately HK$126,000 in the first half of 2010 to approximately HK$98,000 in the current period of the year, which was mainly attributable to a decrease in the Group's bank borrowings and outstanding balance of finance lease.

Profit attributable to equity holders

Profit attributable to equity holders of the Group for the six months ended 30 June 2011 was approximately HK$34.2 million, representing an increase of 34.6%. Net profit margin increased by 0.7 percentage points to 7.9% (six months ended 30 June 2010: 7.2%). Earnings per share were HK5.99 cents, increased by 28.0% as compared to the same period last year.

Employees and remuneration policy

As at 30 June 2011, the Group has a total of 151 employees. The Group's remuneration policy is determined according to the position, performance, 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 will be reviewed by the Board from time to time. Emoluments of directors are determined by the remuneration committee after considering the Group's operating results, individual performance and comparing with market conditions.

Liquidity and financial resources

As at 30 June 2011, the Group had total interest-bearing bank borrowings of approximately HK$3.8 million (31 December 2010: HK$5.8 million). Except for bank loan of HK$0.8 million which is denominated in Renminbi, all borrowings are denominated in Hong Kong dollars. As at 30 June 2011 and 31 Decmber 2010, all bank loans and bank overdrafts were repayable within one year or on demand.

Except for bank overdrafts which bear interest at fixed interest rates, all other borrowings of the Group bear interest at floating interest rates. The bank loans bore interest at 2.45% below the Prime Lending Rate as at 30 June 2011 and 31 December 2010 for the bank loan denominated in Hong Kong dollars. The bank loan denominated in Renminbi bore interest rate at 7.61% as at 30 June 2011.

As at 30 June 2011, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$243.8 million, HK$31.4 million and HK$370.6 million respectively (31 December 2010: approximately HK$26.6 million, HK$32.3 million and HK$133.6 million respectively). The Group's gearing ratio *(Note 1)*, current ratio *(Note 2)* and quick ratio *(Note 3)* as at 30 June 2011 were approximately 1.0%, 12.2 and 8.5 respectively (31 December 2010: 3.7%, 4.5 and 1.8 respectively), such ratios remained at sound level. Based on the Group's steady cash inflow from operations and coupled with its existing cash on hand, the Group has adequate financial resources to fund its future expansion.

Notes:
1. Gearing ratio is calculated based on the borrowings and obligation under finance leases divided by total assets at the end of the Period and multiplied by 100%.
2. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the Period.
3. 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 Period.

Foreign exchange policy

The Group carries on its trading transactions mainly in HK dollars, RMB and Euro. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group does not have any hedging arrangement on foreign exchange. The Directors were of the view that the transactional exposure of the Group in currencies other than the functional currencies was maintained at acceptable level.

Contingent liabilities

Before the date of the Listing, Milan Station (Hong Kong) Limited, an indirect wholly-owned subsidiary of the Company, provided unlimited financial guarantees (the "Unlimited Guarantees") to a bank in connection with the bank loans and other banking facilities granted to certain of its related companies of which Mr. Yiu Kwan Tat is also a director and shareholder. The banking facilities granted to those related companies that are subject to guarantees given to the banks were utilised to the extent of approximately HK$71.9 million as at 31 December 2010. The Unlimited Guarantees has been released after the Listing.

Capital commitments

As at 30 June 2011, the Group's contracted capital commitments on property, plant and equipment but had not made provisions amounted to HK$1.3 million.

OUTLOOK

Outlook for Three Major Markets

During the end of the first half year of 2011, the effect of the macroeconomic control measures adopted by the PRC government emerged gradually. We forecast the economy of the PRC will continue to develop steadily in the second half of this year. In addition, given the unchanged basic conditions driving the development of the PRC economy such as rapid urban development and increasing per capita income, we take an optimistic attitude towards the economic outlook in the second half year. Factors such as consumption-driven economy, the expansion of the customer base as a result of the emergence of the middle class with improving tastes, increased purchasing power of consumers and strengthening RMB will continue to bring growth momentum to the retail markets in the PRC, Hong Kong and Macau.

Under the keynote of the central government to develop the economy by actively expanding the domestic demand, various policies of encouraging domestic demand, including raising the personal income tax exemption limit, have been progressively implemented. The measures can increase the disposable income, which will facilitate the growth of consumer spending in Mainland China and the further development of the Group's operations in the region.

Under steady economic growth and stable employment, it is forecasted consumer demand will remain strong in the second half year. However, the acceleration of the tightening of the monetary policy by the Mainland government, together with the sustained sovereign debt issue in Europe and the unsteady recovery pace of the United States, may have a slight impact on the overall economic sentiment in Hong Kong. Nevertheless, Hong Kong will continue to be one of the favourite and most attractive destinations for consumers to purchase high-end branded products in the Asia Pacific, particularly Mainland China. We expect the strong demand of visitors from Mainland China for luxury products will continue to promote the development of the luxury branded handbag sales business in Hong Kong. Meanwhile, the rapid growth of the PRC economy will also continue to have a positive impact on Hong Kong.

The development of the gambling industry in Macau is also affected by the global economy. In the long run, the promotion of the diversification of the gambling industry and tourism and the nurturing of the industries relating to gambling and tourism by the Macau government will help continue to significantly boost visitor arrivals and stimulate the retail industry and the consumption of luxury branded products.

Management Discussion and Analysis

Development Strategy

In the future, we will continue to be based on strengthening our leading market position in Hong Kong, with the core development strategy of actively developing fast-growing markets in the Mainland.

We will continue to identify cities and regions with potential in Mainland China to develop the second-hand branded handbag retail business. We will first choose to enter some first-tier and second-tier cities with relatively high per capita income and spending power, particularly those cities in which many international brands have established their presence. Our target is to open a total of 24 new "Milan Station" retail shops in the Mainland China in next three years ending 31 December 2013. After establishing a strong foothold for its operations in the Mainland China, the Group will expedite the opening of new shops. Therefore, the plan of opening new shops will focus on the next two years.

In the meantime, we will also step up our efforts in brand promotion in Mainland China. Currently, we have enjoyed relatively high brand recognition in cities such as Beijing and Shanghai. We expect to enhance Mainland consumers' understanding and acceptance of "second-hand branded" products through market publicity and education. While expanding our potential customer base, this will pave the way for us to expand into other cities in the Mainland.

In Hong Kong, competition is gradually arising in the "second-hand branded" product market. In the light of the future challenges, we will continue to reinforce our competitiveness and leading position in Hong Kong luxury product market through improving and optimising the existing retail shop portfolio, continued marketing and promotion, staff training and development, improving staff's sales skills etc..

In addition, we will develop the internet sales platform and cooperate with website operators to provide information on luxury branded handbags to broaden the channels for us to contact customers as well as to expand our market shares and sales at lower operating costs. Furthermore, we will recruit experienced designers in the second half year for developing products under our own "MS" brand which will be launched for sale in "Milan Station" retail shops.

"Milan Station" grasps changes in the lifestyle of urban people and creates an innovative operating model for luxury branded products. In the future, we will continue to leverage our strong corporate reputation and the advantage of being a pioneer in the industry to strengthen our leading position in the major markets and actively develop the PRC market so as to strive for higher returns to reward the shareholders at large for their support.

INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2011, the Directors and the Chief Executive 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 (the "SFO")) which had to be notified to the Company and The Stock Exchange of Hong Kong Limited (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 contained in the Listing Rules to be notified to the Company and the Stock Exchange:

Name of Director	Capacity/nature of interests	Number of shares directly or indirectly held	Approximate percentage of issued share capital
Mr. Yiu Kwan Tat ("Mr. Yiu")	Interest of a controlled corporation *(Note)*	487,500,000 *(long position)*	72.29%

Note: The entire issued share capital of Perfect One is wholly and beneficially owned by Mr. Yiu. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 487,500,000 shares held by Perfect One.

Save as disclosed above, as at 30 June 2011, 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.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

As at 30 June 2011, shareholders (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:

Name of Shareholders	Capacity/nature of interests	Number of shares directly or indirectly held	Approximate percentage of issued share capital
Perfect One Enterprises Limited ("Perfect One")	Beneficial owner *(Note 1)*	487,500,000 *(long position)*	72.29%
Ms. Lee Lai Hung	Interest of spouse *(Note 2)*	487,500,000 *(long position)*	72.29%

Note 1: The entire issued share capital of Perfect One is wholly and beneficially owned by Mr. Yiu. By virtue of the SFO, Mr. Yiu is deemed to be interested in the entire 487,500,000 shares held by Perfect One.

Note 2: The shares are held by Perfect One, the entire issued share capital of which is owned by Mr. Yiu, the spouse of Ms. Lee Lai Hung. Accordingly, Ms. Lee Lai Hung is deemed to be interested in the entire 487,500,000 shares by virtue of the SFO.

Save as disclosed above, as at 30 June 2011, 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.

Additional Information

GLOBAL OFFERING AND USE OF PROCEEDS

In May 2011, the Company conducted a global offering which included the sales of 186,874,000 ordinary shares, comprising (i) 108,414,000 new shares issued and allotted by the Company; (ii) 54,086,000 sale shares offered by the shareholder; and (iii) 24,374,000 ordinary shares allotted and issued upon the exercise of the over-allotment option, at an offer price of HK$1.67 per share. Net proceeds raised for the Company were approximately HK$203 million. The ordinary shares of the Company were listed on the Main Board of the Stock Exchange on 23 May 2011.

As stated in the Company's prospectus dated 11 May 2011, the Company intends to use the proceeds for (i) expansion of retail network in the PRC market; (ii) relocating and redecorating existing retail shops in Hong Kong, the PRC and Macau; (iii) marketing and promotion of the Group; (iv) design and development of private label "MS" brand products; (v) exploration of online sales channel; (vi) staff training and development; (vii) upgrade of the Group's information technology system; and (viii) general working capital requirement. During the Period, amount of approximately HK$1 million and approximately HK$0.4 million respectively from the global offering was utilised for expansion of retail network in the PRC market and relocation of the existing shop in Hong Kong respectively.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Throughout the period from the Listing to 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Share Option Scheme, which was conditionally approved by written resolutions of the sole shareholder of the Company dated 28 April 2011, are set out in Appendix V to the prospectus of the Company dated 11 May 2011. Since the Share Option Scheme has become effective upon the Listing, no share options have been granted, exercised or cancelled by the Company under the Share Option Scheme during the period under review and there were no outstanding share options under the Share Option Scheme as at 30 June 2011.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the period from Listing to 30 June 2011, the Company had complied with all applicable provisions under the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules save as disclosed below.

Code Provision A.2.1 requires the roles of chairman and chief executive officer to be separated. Mr. Yiu Kwan Tat ("Mr. Yiu") is the chairman and chief executive officer of the Company. The Board believes that this structure of having Mr. Yiu acting as both the chairman and the chief executive officer of the Group is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the balance of power and authority is ensured by the operation of the Board, which comprises experienced and high caliber individuals who will meet regularly to discuss issues affecting operation of the Group. The Board has full confidence in Mr. Yiu and believes that his appointment to the posts of chairman as well as the chief executive officer is beneficial to the business prospects of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors.

Having made specific enquiries of all Directors, all the Directors have complied with the required standard set out in the Model Code since the Listing.

AUDIT COMMITTEE

The Company has established an Audit Committee with effect from the Listing with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. So, Stephen Hon Cheung (Chairman), Mr. Ip Shu Kwan, Stephen and Mr. Lau Kin Hok. The Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2011 and discussed with the management of the Company on auditing, internal control and financial reporting matters.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with effect from the Listing with written terms of reference in compliance with the Listing Rules. The Remuneration Committee comprises five members, a majority of whom are independent non-executive Directors, namely Mr. Lau Kin Hok (Chairman), Mr So, Stephen Hon Cheung, Mr. Ip Shu Kwan, Stephen, Mr. Yiu Kwan Tat and Mr. Wong Hiu Chor. The Committee formulates the Company's remuneration policy of Directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board regarding the remuneration of Directors and senior management.

INTERNAL CONTROL

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 Group has engaged an independent internal control consultant to provide internal control review services to the Group. The independent internal control consultant has performed internal control review covering the Group's corporate governance, internal control, financial, operational (including information security) and compliance functions for the period from the Listing to 30 June 2011.

The Audit Committee acknowledged the independent internal control consultant's findings and recommendations on certain deficiencies and weaknesses in the abovementioned functions and requested the Group to adopt the measures in response to such deficiencies and weaknesses as recommended by the independent internal control consultant. None of these deficiencies or weaknesses was concluded as material according to the independent internal control consultant's review report.

In addition to the above, the independent internal control consultant has previously identified a number of deficiencies and weaknesses in the internal control system of the Group and has provided recommendations for improvement. Such deficiencies and weaknesses and internal control measures taken by the Group have been disclosed in the prospectus of the Company dated 11 May 2011. The Directors have confirmed that the Group has properly implemented the internal control measures disclosed in the Company's prospectus dated 11 May 2011 and the independent internal control consultant was also satisfied that the Group has properly implemented those measures.

Additional Information

DIVIDENDS

The Board has resolved to declare an interim dividend of HK1.52 cents (six months ended 30 June 2010: Nil) per ordinary share and a special dividend of HK1.27 cents (six months ended 30 June 2010: Nil) per ordinary share, representing a total payout of HK$18.8 million (six months ended 30 June 2010: Nil), or a distribution of 55.0% of the current period's profit attributable to equity shareholders. Shareholders whose names appear on the Register of Members of the Company on Monday, 19 September 2011 will be entitled to the interim dividend and special dividend which will be paid on or around Tuesday, 4 October 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 15 September 2011 to Monday, 19 September 2011 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the interim dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited, at 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, 14 September 2011.

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

Hong Kong, 30 August 2011