



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 2014 中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yiu Kwan Tat

(Chairman)

Mr. Yiu Kwan Wai, Gary

(Managing Director)

Non-executive Directors

Mr. Tam B Ray, Billy

Mr. Yuen Lai Yan, Darius

Independent Non-executive Directors

Mr. So, Stephen Hon Cheung

Mr. Fan Chun Wah, Andrew

Mr. Mui Ho Cheung, Gary

AUDIT COMMITTEE

Mr. So, Stephen Hon Cheung

(Chairman of audit committee)

Mr. Fan Chun Wah, Andrew

Mr. Mui Ho Cheung, Gary

REMUNERATION COMMITTEE

Mr. Fan Chun Wah, Andrew

(Chairman of remuneration committee)

Mr. So, Stephen Hon Cheung

Mr. Mui Ho Cheung, Gary

Mr. Yiu Kwan Tat

NOMINATION COMMITTEE

Mr. Yiu Kwan Tat

(Chairman of nomination committee)

Mr. So, Stephen Hon Cheung

Mr. Fan Chun Wah, Andrew

Mr. Mui Ho Cheung, Gary

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

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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

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17th Floor

Hopewell Centre

183 Queen's Road East

Wan Chai, Hong Kong

Corporate Information

AUDITORS

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower, 1 Tim Mei Avenue
Central, Hong Kong

LEGAL ADVISOR AS TO HONG KONG LAW

DLA Piper Hong Kong
17th Floor, Edinburgh Tower
The Landmark
15 Queen's Road 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
China CITIC Bank International Limited

THE PRC

China Construction Bank
DBS Bank (China) Limited

Condensed Consolidated Statement of Profit or Loss

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Milan Station Holdings Limited (the “Company”) presents 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 2014 (the “Period”) together with the comparative figures for the corresponding period in 2013 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.

	Notes	For the six months ended 30 June	
		2014	2013
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	5	329,314	328,502
Cost of sales		(255,471)	(259,653)
Gross profit		73,843	68,849
Other income and gains	5	101	4,890
Selling expenses		(66,661)	(57,017)
Administrative and other operating expenses		(25,028)	(25,837)
Finance costs	6	(479)	(747)
LOSS BEFORE TAX	7	(18,224)	(9,862)
Income tax	8	(1,550)	(492)
LOSS FOR THE PERIOD		(19,774)	(10,354)
Attributable to:			
Equity holders of the Company		(19,306)	(10,315)
Non-controlling interests		(468)	(39)
		(19,774)	(10,354)
LOSS PER SHARE			
– Basic and diluted	9	HK(2.9 cents)	HK(1.5 cents)

Details of dividends payable to equity holders of the Company are set out in note 10.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June

	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
LOSS FOR THE PERIOD	(19,774)	(10,354)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	133	348
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(19,641)	(10,006)
Attributable to:		
Equity holders of the Company	(19,173)	(9,979)
Non-controlling interests	(468)	(27)
	(19,641)	(10,006)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		97,380	95,026
Deferred tax assets		574	574
Deposits		13,784	22,912
Total non-current assets		111,738	118,512
CURRENT ASSETS			
Inventories		161,971	149,250
Trade receivables	11	10,605	10,712
Prepayments, deposits and other receivables		16,097	18,228
Tax recoverable		1,364	1,958
Pledged deposit		1,000	1,000
Cash and cash equivalents		50,204	81,302
Total current assets		241,241	262,450
CURRENT LIABILITIES			
Trade payables	12	730	–
Accrued liabilities and other payables		19,770	27,975
Interest-bearing bank borrowing	13	25,651	26,808
Obligations under a finance lease		116	114
Tax payable		2,408	1,587
Total current liabilities		48,675	56,484
NET CURRENT ASSETS		192,566	205,966
TOTAL ASSETS LESS CURRENT LIABILITIES		304,304	324,478
NON-CURRENT LIABILITIES			
Accrued liabilities and other payables		437	911
Obligations under a finance lease		404	463
Deferred tax liability		322	322
Total non-current liabilities		1,163	1,696
Net assets		303,141	322,782
CAPITAL AND RESERVES			
Issued capital	14	6,744	6,744
Reserves		293,088	312,261
Total equity attributable to equity holders of the Company		299,832	319,005
Non-controlling interests		3,309	3,777
Total equity		303,141	322,782

The notes on pages 10 to 20 form part of this interim financial statements.

Condensed Consolidated Statement of Changes in Equity – unaudited

	Attributable to equity holders 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 a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000	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
Exchange differences arising on translation of foreign operations	-	-	-	-	-	133	-	-	133	-	133
Loss for the period	-	-	-	-	-	-	-	(19,306)	(19,306)	(468)	(19,774)
Total comprehensive income/(expense) for the period	-	-	-	-	-	133	-	(19,306)	(19,173)	(468)	(19,641)
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(1,328)	1,328	-	-	-
At 30 June 2014	6,744	173,102*	10*	(23,782)*	1,729 *	3,708*	3,839*	134,482*	299,832	3,309	303,141

* These reserve accounts comprise the consolidated reserves of HK\$293,088,000 (30 June 2013: HK\$337,810,000) in the condensed consolidated statement of financial position.

Notes:

- 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.
- 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.

Condensed Consolidated Statement of Changes in Equity – unaudited *(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 (note b)	Statutory reserve fund HK\$'000 (note c)	Exchange fluctuation reserve HK\$'000	Share option reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2013	6,744	173,102	10	(23,782)	1,729	1,583	5,413	189,734	354,533	3,760	358,293
Exchange differences arising on translation of foreign operations	-	-	-	-	-	336	-	-	336	12	348
Loss for the period	-	-	-	-	-	-	-	(10,315)	(10,315)	(39)	(10,354)
Total comprehensive income/ (expense) for the period	-	-	-	-	-	336	-	(10,315)	(9,979)	(27)	(10,006)
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(197)	197	-	-	-
At 30 June 2013	6,744	173,102*	10*	(23,782)*	1,729 *	1,919*	5,216*	179,616*	344,554	3,733	348,287

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	2014	2013
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net cash flows used in operating activities	(22,147)	(34,457)
Net cash flows used in investing activities	(7,738)	(7,746)
Net cash flows used in financing activities	(1,213)	(4,018)
Net decrease in cash and cash equivalents	(31,098)	(46,221)
Cash and cash equivalents at beginning of period	81,302	128,384
Cash and cash equivalents at end of period	50,204	82,163
Analysis of balances of cash and cash equivalents		
Cash and bank balances	50,204	82,163
Non-pledged time deposit with original maturity of three months or less when acquired	-	-
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and cash flows	50,204	82,163

Notes to Condensed Consolidated Interim 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 subsidiaries of the Company are principally engaged in the retailing of handbags, fashion accessories and embellishments. There were no significant changes in the nature of the Group's principal activities during the Period.

In the opinion of the directors, the ultimate holding company of the Company is Perfect One Enterprises Limited ("Perfect One"), which was incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 20 August 2014.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These unaudited condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

Notes to Condensed Consolidated Interim Financial Statements

3. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC)-Int 21 “*Levies*”

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit (“CGU”) whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the Group's interim financial statements as the Group has no impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial statements as the Group has not novated any of its derivatives.

HK(IFRIC)-Int 21, “Levies”

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial statements as the guidance is consistent with the Group's existing accounting policies.

Notes to Condensed Consolidated Interim Financial Statements

4. OPERATING SEGMENT INFORMATION

The Group's principal activity 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 locations of customers, and the non-current assets information is based on the locations of the assets.

	Hong Kong	Macau	Mainland China	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2014					
Revenue from external customers	238,896	55,183	27,348	7,887	329,314
Non-current assets	90,075	161	8,802	–	99,038
Capital expenditure	151	152	7,469	–	7,772

	Hong Kong	Macau	Mainland China	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2013					
Revenue from external customers	261,644	34,863	31,995	–	328,502
Non-current assets	95,503	66	5,741	–	101,310
Capital expenditure	6,184	12	2,228	–	8,424

The non-current asset information excludes financial instruments 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 2013: Nil) and no information about major customers is presented accordingly.

Notes to Condensed Consolidated Interim Financial Statements

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	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue		
Sale of goods	329,314	328,502
Other income and gains		
Bank interest income	34	676
Gross rental income	–	4,200
Others	67	14
	101	4,890
	329,415	333,392

6. FINANCE COSTS

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on:		
Bank overdrafts	1	–
Bank loans wholly repayable:		
Within five years	42	109
Over five years	427	635
Finance lease	9	3
	479	747

Notes to Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE TAX

(a) Staff costs (excluding Directors' remuneration)

Contributions to defined contribution retirement plans
Salaries, wages and other benefits

(b) Other items

Cost of inventories sold
Provision for slow-moving inventories
Depreciation
Minimum lease payments under operating leases in respect of land and buildings
Write-off/loss on disposal of items of property, plant and equipment

For the six months ended 30 June

2014	2013
(Unaudited) HK\$'000	(Unaudited) HK\$'000
544	529
18,714	15,137
19,258	15,666
255,471	259,653
2,261	–
3,928	5,421
34,630	35,924
1,490	1

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2014. During the period ended 30 June 2013, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong. 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 PRC being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the Period was 25% (six months ended 30 June 2013: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (six months ended 30 June 2013: 12%) on the estimated taxable profits.

For the six months ended 30 June

Current charge for the period
– Hong Kong
– Elsewhere

Total tax charge for the period

2014	2013
(Unaudited) HK\$'000	(Unaudited) HK\$'000
618	–
932	492
1,550	492

Notes to Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of HK\$19,306,000 (six months ended 30 June 2013: HK\$10,315,000) and the weighted average of 674,374,000 ordinary shares (six months ended 30 June 2013: 674,374,000 ordinary shares) in issue during the Period.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2013: Nil), nor has any dividend been proposed since the end of the reporting period.

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. 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.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	9,361	10,337
1 to 2 months	282	375
2 to 3 months	659	–
Over 3 months	303	–
	10,605	10,712

12. TRADE PAYABLES

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

	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	730	–

Notes to Condensed Consolidated Interim Financial Statements

13. INTEREST-BEARING BANK BORROWING

	Effective interest rate	Maturity	30 June 2014	31 December 2013
	(%)		(Unaudited) HK\$'000	(Audited) HK\$'000
Current				
Bank loan – secured	3.25 (31 December 2013: 3.25)	On demand	25,651	26,808

As at 30 June 2014, the interest-bearing borrowing is denominated in Hong Kong dollars.

The Group's secured bank loan in the amount of HK\$25,651,000 (31 December 2013: HK\$26,808,000) as at 30 June 2014 containing a repayment on demand clause and accordingly is included within current interest-bearing bank borrowing and analysed into bank loans payable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are: HK\$2,367,000 (31 December 2013: HK\$2,329,000) repayable within one year or on demand as at 30 June 2014; HK\$2,443,000 (31 December 2013: HK\$2,406,000) repayable in the second year as at 30 June 2014; HK\$7,830,000 (31 December 2013: HK\$7,703,000) repayable in the third to fifth years, inclusive, as at 30 June 2014; and HK\$13,011,000 (31 December 2013: HK\$14,370,000) repayable beyond five years as at 30 June 2014.

The borrowing of the Group bears interest at floating interest rates for the six months ended 30 June 2014.

As at 30 June 2014, the bank loan facilities were supported by:

- (i) the pledge of the Group's land and building with a carrying amount of HK\$76,922,000 (31 December 2013: HK\$77,313,000);
- (ii) a corporate guarantee executed by the Company and a subsidiary of the Company to the extent of HK\$67,000,000 (31 December 2013: HK\$67,000,000); and
- (iii) the pledge of bank deposits of HK\$1,000,000 (31 December 2013: HK\$1,000,000).

Notes to Condensed Consolidated Interim Financial Statements

14. SHARE CAPITAL

	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000
Authorised: 2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
Issued and fully paid: 674,374,000 (31 December 2013: 674,374,000) ordinary shares of HK\$0.01 each	6,744	6,744

15. OPERATING LEASE ARRANGEMENTS

As lessee

The Group is the lessee in respect of a number of shops, office premises and warehouse under operating leases. The leases typically run for an initial period of one to six years, at the end of which period all terms are renegotiated.

As at 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014	31 December 2013
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	75,991	71,009
In the second to fifth years, inclusive	93,306	115,755
More than five years	2,396	9,542
	171,693	196,306

Notes to Condensed Consolidated Interim Financial Statements

16. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN AN INTERIM FINANCIAL STATEMENTS

Contracted, but not provided for:
Additions of property, plant and equipment

30 June 2014	31 December 2013
(Unaudited) HK\$'000	(Audited) HK\$'000
587	4,574

17. RELATED PARTY TRANSACTIONS

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

	Notes	For the six month ended 30 June	
		2014	2013
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental expenses paid to related companies	(a)	4,818	5,520
Rental deposit paid to related company	(b)	156	–
Purchases from a related company	(c)	48	78
Renovation costs to a related company	(d)	152	2,332
Legal and professional expenses to a related company	(e)	189	486

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) The rental deposit paid to a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms.
- (c) Purchases from a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms.
- (d) Renovation costs to a related company, in which the husband of Ms. Yiu, has beneficial interest, were made on mutually agreed terms. Ms. Yiu has resigned as a director of the Company on 17 February 2014.
- (e) Legal and professional expenses to a related company, in which Mr. Tam B Ray, Billy is a partner, were made on mutually agreed terms.

Notes to Condensed Consolidated Interim Financial Statements

17. RELATED PARTY TRANSACTIONS *(continued)*

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

	For the six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Short-term employee benefits	5,261	5,856
Post-employment contributions	52	60
	5,313	5,916

18. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments are as follows:

Financial assets

The Group's financial assets as at the end of the reporting period which are categorised as loans and receivables are as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables	10,605	10,712
Financial assets included in prepayments, deposits and other receivables	25,026	28,965
Pledged deposit	1,000	1,000
Cash and cash equivalents	50,204	81,302
	86,835	121,979

Notes to Condensed Consolidated Interim Financial Statements

18. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

Financial liabilities

The Group's financial liabilities as at the end of the reporting period which are categorised as financial liabilities at amortised cost are as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade payables	730	–
Financial liabilities included in accrued liabilities and other payables	14,890	21,351
Interest-bearing bank borrowing	25,651	26,808
Obligations under a finance lease	520	577
	41,791	48,736

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2014 and 31 December 2013.

19. EVENT AFTER THE REPORTING PERIOD

On 11 July 2014, the Company granted 28,865,000 share options to the Directors, the chief executive officer and certain employees of the Company (the "Grantees") pursuant to the Company's share option scheme adopted on 28 April 2011. The share options give the Grantees the right to subscribe for ordinary shares of the Company at an exercise price of HK\$0.616 per ordinary share. Details of the share options granted are set out in an announcement of the Company dated 11 July 2014.

20. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 20 August 2014.

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2014, the U.S. Federal Reserve Board started to taper off its quantitative easing in January, making the global financial markets more volatile. In Europe, the economy continued its slow recovery. As uncertainties persisted in the global economy, consumer sentiments in Hong Kong and Mainland China were dampened, as evidenced by the continuing slowdown in the retail market for luxury products. Among the four regions where the Group has retail business operations, its retail business operations in Hong Kong and Mainland China were more affected by the external unfavorable economic factors. This impacted on the performance of the Group's high-end handbag retail business to a certain extent.

HONG KONG'S RETAIL MARKET

In the first quarter of 2014, Hong Kong's economy continued a slight growth, with its gross domestic products (GDP) going up by 2.5% year on year. Nevertheless, its retail market growth continued to slow down. The information from the Hong Kong Census & Statistics Department has shown decreases in the indexes for the value and volume of retail sales of jewellery, watches and clocks, and valuable gifts. During the Period, although the growth in total number of visits by mainland tourists to Hong Kong maintained momentum, the percentage of the mainland tourists who came from the country's second and third-tier cities, had weak spending power, and were on the same-day return trips, had increased. This led to a substantial decrease in the average spending power of the mainland tourists. Meanwhile, the overall consumption habit of the mainland visitors under the Individual Visit Scheme had changed, with their interest shifting to mid-range and low-priced brands and products, such as cosmetics, clothing and shoes. As a result, the demand for luxury goods continued to shrink during the Period and this exerted greater pressure on the luxury handbag industry.

MAINLAND CHINA'S RETAIL MARKET

China's GDP growth rate was 7.4% in the first half of 2014 when compared to that in the same period last year, indicating that the country's economy is exiting the high-growth stage. The market for luxury goods shrank despite the continuing improvement in the consumer's overall spending power. In the major cities, consumer's attitude towards luxury goods has changed. Total retail sales of consumer goods for the first six months of 2014 grew by 12.1% year on year to approximately RMB12.4 trillion, representing a 0.6 percentage point lower growth rate when compared to that in the same period last year.

MACAU'S RETAIL MARKET

Although Macau's economy was also affected by the macroeconomic environment, it was the city's gaming and tourism industries achieved a stable growth and continued to drive its overall economy. The overall revenue from gaming in Macau was approximately MOP193.1 billion in the first half of 2014, up by 12.6% over the same period last year. The city also saw a continuous increase in visitor arrivals. Visitor arrivals increased by 8% year-on-year to approximately 15.3 million in the first half of 2014, with Mainland China accounting for 15% of the total. Stimulated by the continuous increase in visitor arrivals to Macau, the retail sector continuously blossomed. While the construction of five-star hotels, large shopping centers and casinos were completed one after the other and more high-end consumers and more international brands were attracted to Macau, the development of the luxury goods sector continued its steady development.

Management Discussion and Analysis

BUSINESS REVIEW

During the Period, the uncertainties in the global economy and the economic slowdown in China and Hong Kong made consumers more cautious about spending on luxury goods in the regions where the Group had major operations. As a result, its business continued to face severe challenges. To cope with the subdued market sentiment, the Group managed to sustain its operation and further development by consolidating its conventional retail network, vigorously diversifying its sales channels, optimizing its product mix and introducing more mid-priced consumer products and fast-moving products into its offerings.

During the Period, the Group's total revenue amounted to approximately HK\$329.3 million, slightly up by approximately 0.2% over the same period last year; and the Group's loss amounted to approximately HK\$19.8 million (for the six months ended 30 June 2013: loss of approximately HK\$10.4 million). Revenues contributed by markets in Hong Kong, Mainland China and Macau accounted for 72.5%, 8.3% and 16.8% respectively of the Group's total revenue while other markets (including Singapore) contributed 2.4%. Gross profit margins of the Group's operations in Hong Kong, Mainland China, Macau and Singapore were 19.3%, 20.5%, 35.8% and 29.5% respectively.

Hong Kong

Since its establishment, the Group has all along led the industry in the development of a trading platform for luxury brand handbags. With its unique and up-to-date business model, the Group has already established an excellent reputation and raised awareness of its brands over the years. The Group adhered to the principle of providing genuine and certified products for its customers, and has formulated a series of stringent and systematic product certification programmes and has formed a team of professionally trained staff responsible for executing the product inspection process. With these measures, the Group has been able to maintain its leading market position and advantages in the industry, and drive its business growth despite the adverse operating environment.

During the Period, sales at the Group's Hong Kong business decreased by 8.7% over the same period last year to approximately HK\$238.9 million. The revenue was derived from a total of seven "Milan Station" retail stores in Hong Kong, its online sales platforms which were jointly operated with other partners and directly managed by the Group, and the sales of products in other new sales channels.

In response to the changes in the macroeconomic environment and consumers' buying pattern, the Group continued to adjust its product mix and focused its marketing efforts on mid-price range and fast-moving products to satisfy consumers' current demand. Products in the price range of HK\$10,001 to HK\$30,000 accounted for 22.4% of the Group's total sales in Hong Kong during the Period, up from 21.7% in the same period last year. Products in the price range of HK\$30,001 to HK\$50,000 accounted for 7.6% of the Group's total sales in Hong Kong during the Period, a change from the 6.3% in the same period last year.

The rent of Hong Kong's retail shops began to drop in the second quarter of 2014, but the retail sector still continued to face the pressure brought by rent costs. The Group focused on expanding its more cost-efficient sales channels during the Period. For instance, it cooperated with a large online platform operator to sell the Group's products, and directly managed and operated an online shop (www.milanstation.net), with the aim of mitigating the pressure from the operating costs, especially the rents. With active promotional and marketing campaigns, the Group saw both the traffic and revenues of its online shopping platform increase steadily. This enabled the Group to gain access to new consumers of different age groups and with different buying habits. During the Period, the Group achieved a stable performance in overall online sales, which contributed approximately HK\$6.3 million in sales value, up by 3.3% year on year. As consumers increasingly trust online shopping, the Group will continue to optimise its online product mix. It will provide more in-season and hot-selling products for customers, and introduce more mid-range and high-priced products to improve the performance of its online shopping business.

Management Discussion and Analysis

In addition, the Group was actively exploring other innovative sales channels to mitigate the negative impact of Hong Kong's rising rental costs on the Group. Currently, the Group operated sales counters on four cruises to sell mid-priced products. The sales counters registered approximately HK\$7.5 million in sales together in the first half of 2014. The results were satisfactory.

To consolidate its brand image, corporate reputation and leading market position continuously, the Group has adopted a strategy of diversified and multi-channel advertising and promotion. The Group continued to cooperate with various banks, hotels and retail partners to provide credit card shopping benefits, host various sales promotional events and offer sales discounts to members registered under the "Milan Station Loyalty Membership Scheme". To date, there are 15,774 members registered. On the other hand, the Group continued to conduct promotional activities through various traditional media channels, including television and magazines, and placed various outdoor billboard advertisements in commercial districts with high pedestrian traffic, MTR stations and various means of public transports to make its brand widely known to different consumer groups and attract more potential customers. The Group also placed advertisements on the social media platforms and search engines, and cooperated with various popular local and overseas websites to develop its online shopping business. The Group also sponsored the fashion show by the graduates of the School of Design of The Hong Kong Polytechnic University as a way to demonstrate its commitment to corporate social responsibility and provide a development platform for young designers, thereby building up the image of "Milan Station" as a leading brand of fashion and trend.

Mainland China

The economic development in China continued to slow down during the first half of 2014. Moreover, there was an increasing number of mainland visitors opting to purchase branded luxury products either directly from Europe during long vacation or do so online, the Group's retail shops in China took a hit in their sales of high-priced products. The Group's businesses in China recorded a decrease of 14.7% year on year in sales to approximately HK\$27.3 million, which accounted for approximately 8.3% of the Group's overall sales. The revenues were contributed by its three "Milan Station" stores in two major cities, Beijing and Shanghai, as well as the sales of products on the Group's online shopping platform in China (www.milanstation.cc).

During the first half of 2014, the Group's mega flagship store of Milan Station at China Central Place, Beijing commenced its business in April, and sales performance up to date was slightly less favourable than expected. Nevertheless, the flagship store will help improve the Group's brand image in China. The Group has also been preparing for expansion into other cities in China outside Beijing and Shanghai. The work is in full swing, and the Group will identify potential joint venture or consignment management partners who would be able to enhance Milan Station's market presence in China.

The Group formed a joint venture with J&C (Asia) Limited, which is engaged in the online procurement and sales of unused and second-hand luxury branded handbags and apparel products under the brand name and trademark of "Milan Station". The joint venture was still at its development stage from January to April of 2014 and was duly put into operation in May. The single-month sales growth at the end of the first half of 2014 was satisfactory, demonstrating that the collection of brand new goods and the sales channel were well-received by consumers.

Management Discussion and Analysis

Macau

The Group's business in Macau performed satisfactorily during the Period. For the six months ended 30 June 2014, the operation there benefited from the development of the city's gaming and tourism sectors, and recorded a year-on-year increase of 58.2% in sales to approximately HK\$55.2 million. The growth was mainly attributable to the sales of the Group's high-priced products, which targeted those customers with high spending power, in exclusive clubhouses in Macau. In addition, the "Milan Station" retail shop in Rua de S. Domingos, Macau also reported solid sales results during the Period.

Overseas Market

The Group's first branch outside China, Hong Kong and Macau was launched in Orchard Road, Singapore. For the six months ended 30 June 2014, the shop achieved revenue of approximately HK\$7.9 million, representing approximately 2.4% of the Group's total revenue for the Period. In order to satisfy the demand for new mid-range and high-priced goods in the local market, the Group will continue to actively explore the possibility of establishing other branches with its partners in Singapore.

FINANCIAL REVIEW

Revenue

During the Period, total revenue increased to approximately HK\$329.3 million, representing an increase of 0.2% as compared to approximately HK\$328.5 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 99.2% of the total revenue of the Group. The revenue generated from the sales of unused products increased from approximately HK\$186.0 million recorded in the corresponding period last year, representing 56.6% of the total revenue of the Group, to approximately HK\$218.0 million during the Period, representing 66.2% of the total revenue of the Group.

Since most of the retail shops under the brand name of "Milan Station" are located in Hong Kong, the source of revenue also concentrates in the Hong Kong market. For the six months ended 30 June 2014, the revenue generated from the Hong Kong market was approximately HK\$238.9 million, representing approximately 72.5% of the total revenue of the Group for the Period. Revenue generated from Mainland China market decreased from approximately HK\$32.0 million during the corresponding last year to approximately HK\$27.3 million during the Period. Revenue generated from Macau market increased from approximately HK\$34.9 million during the corresponding last year to approximately HK\$55.2 million during the Period.

Management Discussion and Analysis

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2014 and 2013 by product categories, by price range of products and by geographical locations and their respective approximate percentages to the total revenue of the Group:

	For the six months ended 30 June				
	2014		2013		Percentage change in revenue %
	HK\$ million	Percentage of total revenue %	HK\$ million	Percentage of total revenue %	
By product categories (handbags and other products)					
Handbags	326.8	99.2	323.9	98.6	0.9
Other products	2.5	0.8	4.6	1.4	(45.7)
Total	329.3	100.0	328.5	100.0	0.2
By product categories (unused and second-hand products)					
Unused products	218.0	66.2	186.0	56.6	17.2
Second-hand products	111.3	33.8	142.5	43.4	(21.9)
Total	329.3	100.0	328.5	100.0	0.2
By price range of products					
Within HK\$10,000	66.9	20.3	81.9	24.9	(18.3)
HK\$10,001 – HK\$30,000	69.9	21.2	71.7	21.8	(2.5)
HK\$30,001 – HK\$50,000	20.9	6.4	19.3	5.9	8.3
Above HK\$50,000	171.6	52.1	155.6	47.4	10.3
Total	329.3	100.0	328.5	100.0	0.2
By geographical locations					
Hong Kong	238.9	72.5	261.6	79.6	(8.7)
The PRC	27.3	8.3	32.0	9.8	(14.7)
Macau	55.2	16.8	34.9	10.6	58.2
Singapore ⁽¹⁾	7.9	2.4	–	–	N/A
Total	329.3	100.0	328.5	100.0	0.2

(1) The first branch in Orchard Road, Singapore was opened in July 2013.

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2014, cost of sales of the Group was approximately HK\$255.5 million, decreased by 1.6% year-on-year. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the Period under review increased by HK\$5.0 million to approximately HK\$73.8 million, with its gross profit margin increased slightly by 1.4 percentage points to 22.4%. Provision for slow-moving inventories included in cost of sales for the six months ended 30 June 2014 increased by approximately HK\$2.3 million.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 19.3 %, 20.5 % and 35.8 %, respectively (six months ended 30 June 2013: 19.0%, 24.7% and 31.9%, respectively).

Inventory analysis

The Group's total inventories as at 30 June 2014 and 31 December 2013 were approximately HK\$162.0 million and HK\$149.3 million respectively. The total inventories of the Group are recorded after netting of provision for slow-moving inventories.

The following table sets forth an aging analysis of inventories for the Group's handbag products as at 30 June 2014 and 31 December 2013:

	As at 30 June 2014	As at 31 December 2013
	HK\$'000	HK\$'000
Aging of inventories (handbags products)		
0 to 90 days	76,700	77,934
91 to 180 days	41,177	38,216
181 days to 1 year	34,462	31,128
Over 1 year	8,172	631
Total	160,511	147,909

Management Discussion and Analysis

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2014 and 31 December 2013:

	As at 30 June 2014	As at 31 December 2013
	HK\$'000	HK\$'000
Aging of inventories (other products)		
0 to 45 days	511	225
46 to 90 days	316	254
91 days to 1 year	608	860
Over 1 year	25	2
Total	1,460	1,341

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK\$50,000 as at 30 June 2014 and 31 December 2013:

	As at 30 June 2014	As at 31 December 2013
	HK\$'000	HK\$'000
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	38,373	40,795
91 to 180 days	24,635	16,419
181 days to 1 year	14,427	13,451
Over 1 year	3,870	–
Total	81,305	70,665

Other income and gains

Other income and gains amounted to approximately HK\$0.1 million, significantly decreased by HK\$4.8 million as compared to the corresponding period last year. It was mainly attributable to the termination of a sub-letting operating lease arrangements.

Management Discussion and Analysis

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 six months ended 30 June 2014, selling expenses of the Group were approximately HK\$66.7 million, representing 20.3% of its revenue (six months ended 30 June 2013: approximately HK\$57.0 million, representing 17.4% of revenue). Selling expenses continued to grow during the Period, mainly due to an increase in advertising expenses for promotion, rental expenses for retail shops and commission paid to the company who run the exclusive clubhouses in Macau.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2014 amounted to approximately HK\$25.0 million, slightly decreased by approximately HK\$0.8 million as compared to the corresponding period last year, representing approximately 7.6% 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. Administrative and other operating expenses slightly decreased during the Period despite the decrease of rental expenses for sub-letting operating lease arrangement, mainly due to increase in salary paid to administrative staff especially for the expansion of PRC online shopping business.

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\$747,000 in the first half year of 2013 to approximately HK\$479,000 in the current Period.

Loss attributable to equity holders

Loss attributable to equity holders of the Group for the six months ended 30 June 2014 was approximately HK\$19.3 million, representing an increase of 87.4% from approximately HK\$10.3 million for the period ended 30 June 2013. Loss per share attributable to equity holders was approximately HK2.9 cents for the six months ended 30 June 2014, as compared to approximately HK1.5 cents for the six months ended 30 June 2013.

Employees and remuneration policy

As at 30 June 2014, the Group had a total of 158 employees. The Group's remuneration policy was 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 was reviewed by the Board from time to time. 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 30 June 2014, the Group had total interest-bearing bank borrowing of approximately HK\$25.7 million (31 December 2013: HK\$26.8 million). The borrowing is denominated in Hong Kong dollars. The bank loan bears interest at prevailing commercial lending rates. The Group's land and building with a carrying amount of HK\$76.9 million were pledged to secure the bank borrowing. It is expected that the borrowing will be repaid by internal generated funds.

As at 30 June 2014, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$50.2 million, HK\$49.8 million and HK\$299.8 million respectively (31 December 2013: approximately HK\$81.3 million, HK\$58.2 million and HK\$319.0 million respectively). The Group's gearing ratio (*Note 1*), current ratio (*Note 2*) and quick ratio (*Note 3*) as at 30 June 2014 were approximately 7.4%, 5.0 and 1.6 respectively (31 December 2013: 7.2%, 4.6 and 2.0 respectively). The Group's gearing ratio increased and quick ratio dropped in the six months ended 30 June 2014 mainly due to the repayment of interest bearing borrowings, and decrease in cash and cash equivalents, respectively.

Management Discussion and Analysis

Notes:

1. Gearing ratio is calculated based on the borrowing and obligations under a finance lease 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.

Pledge of assets

At 30 June 2014, the Group's land and building with a carrying value of HK76.9 million and the Group's bank deposit of HK\$1.0 million were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

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

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitments on property, plant and equipment amounted to approximately HK\$0.6 million and HK\$4.6 million as at 30 June 2014 and 31 December 2013 respectively.

Event after the reporting period

On 11 July 2014, the Company granted 28,865,000 share options to the Directors, the chief executive officer and certain employees of the Company (the "Grantees") pursuant to the Company's share option scheme adopted on 28 April 2011. The share options give the Grantees the right to subscribe for ordinary shares of the Company at an exercise price of HK\$0.616 per ordinary share. Details of the share options granted are set out in an announcement of the Company dated 11 July 2014.

OUTLOOK

Affected by the slowdown in the global economy, the consumer sentiment in Hong Kong and Mainland China is expected to remain weak. Challenges will persist in both the overall retail market and the market for luxury goods in Mainland China and Hong Kong. Nevertheless, the potential of the middle class for consumption growth in Mainland China should not be overlooked even though the prospect of the country's retailing market looks gloomy. Thanks to the improving living standard of the country's middle class, there will be growing quest for brand names and style, and as such, the high-end and luxury brand handbags market will still regain momentum for growth in the long run. It is estimated that the global economy will recover moderately in the second half of 2014 and China's economy will maintain steady growth. The Group is cautiously optimistic about the long-term outlook of the luxury goods markets in Mainland China and Hong Kong in the coming year.

Management Discussion and Analysis

Development Strategy

Looking ahead, the Group will continue its core strategy of consolidating its leading market position in Hong Kong and prudently developing the markets in Mainland China and overseas. At the same time, the Group will expand cost effective marketing channels, and cope flexibly with the changing operating environment.

Hong Kong is the principal place of business for Milan Station, and the Group will continue to adjust its marketing strategies and improve its product portfolio to strengthen its leading position in the core markets there. The Group planned to open its first Milan Station multi-brands speciality store in Tsimshatsui in the second half of the year to provide new mid-priced goods which target the mass market, namely that of the fast-fashion consumers who are between 20 to 45 years old. Apart from selling existing branded handbags, the new concept store will introduce those brand names which are not yet available in Milan Station branch stores to cater for the local young consumers' demand for low- and mid-priced goods, and will try to expand the Group's share of the mid-priced handbag market.

The Group will continue to review the results of its retail stores, and actively integrate its store portfolio in the core markets to enhance its overall competitiveness and sales growth. The branch store of the Group in Mong Kok will be relocated to a shop space which is near to its previous address, and the branch store at Domingos Road, Macau will be relocated to Rua Da Palha to reduce rental expenses. The Group will continue to prudently renew the leases for or relocate those stores with lower rental pressure, and expand its business while maintaining the target of the overall rental costs, with an aim of improving the profitability of the Group's retail operation.

The Group will continue to expand the Mainland China market prudently, and seek for cost-effective and diverse sales channel and partners to expand its business in various cities with growth potential. The Group is now negotiating with its existing partners in order to set up stores and plans to establish one additional self-operated store in Shenyang in September, and establish one new retail outlet in Jiangmen in August through consignment management.

Online shopping has been gaining momentum as a popular mode of consumption in Mainland China, and the Group is proactively investing more resources in developing its online shopping platforms in the country in the coming year. The Group will enhance the online content and the interaction with the visitors, come up with a product portfolio that is more suitable for second-hand goods collection and sales at the online trading platform. Apart from the joint venture established with J&C (Asia) Limited, the Group will continue to open a virtual shopping mall at major online shopping platforms in Mainland China to attract more potential customers, thus reinforcing its online-to-offline business model.

For overseas market expansion, the Group will actively seek consignment management partners selectively to expand Milan Station's sales network in Southeast Asia. In addition, the Group planned to establish a new store in Singapore to sell second-hand mid-priced goods to cater for the demand of different consumers, and continue to actively explore the possibility of establishing other branch stores in other local sites with its partners in Singapore.

In order to further reduce the rental pressure and improve its sales growth, the Group will continue to actively develop innovative and cost-efficient sales channels, including exclusive clubhouses in Macau and cruises, to expand its diversified sales network. The Group planned to increase the number of points of sale from six to ten in exclusive clubhouses in Macau.

To cope with the increasingly difficult and changing operating environment, the Group will continue to adopt appropriate business strategies, with an aim of laying the foundations for its future development and business growth. With its brand advantages, leading market position, innovative and diversified sales channels, and flexible operating strategies that the Group has developed over the years, the management of the Group will try its best to generate reasonable returns to its shareholders once the economy begins to recover in the second half year.

Additional Information

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

As at 30 June 2014, 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

Name of Director	Number of shares held, capacity and nature of interest			Total	Approximate percentage of issued share capital
	Personal Interest	Corporate Interest	Family Interest		
Mr. Yiu Kwan Tat	–	487,500,000 <i>(Note)</i>	–	487,500,000	72.29%

Note: The shares are 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 487,500,000 shares held by Perfect One Enterprises Limited.

Long positions in share options of the Company

Name of Directors	Number of share options			Total	Approximate percentage of issued share capital
	Personal Interest	Family Interest			
Mr. Yiu Kwan Tat	2,000,000	–		2,000,000	0.30%
Mr. Yiu Kwan Wai, Gary	2,000,000	200,000 <i>(Note)</i>		2,200,000	0.33%
Mr. Tam B Ray, Billy	200,000	–		200,000	0.03%
Mr. So, Stephen Hon Cheung	200,000	–		200,000	0.03%

Note: These share options were granted to Ms. Chui Sze Man, the spouse of Mr. Yiu Kwan Wai, Gary, as employee of the Company.

Save as disclosed above, as at 30 June 2014, 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.

Additional Information

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 movements in share options granted under the Scheme during the six months ended 30 June 2014 are shown below:

Name or category of participant	Number of share options					At 30 June 2014	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2014	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period				
Executive Directors									
Mr. Yiu Kwan Tat	2,000,000	-	-	-	-	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
Mr. Yiu Kwan Wai, Gary	2,000,000	-	-	-	-	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
Ms. Yiu Sau Wai (resigned on 17 February 2014)	2,000,000	-	-	-	(2,000,000)	-	13-12-11	13-12-11 to 12-12-16	1.384
Mr. Wong Hiu Chor (resigned on 17 February 2014)	400,000	-	-	-	(400,000)	-	13-12-11	13-12-11 to 12-12-16	1.384
Non-executive Director									
Mr. Tam B Ray, Billy	200,000	-	-	-	-	200,000	13-12-11	13-12-11 to 12-12-16	1.384
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
	6,800,000	-	-	-	(2,400,000)	4,400,000			
Other employees									
In aggregate	3,700,000	-	-	-	(300,000)	3,400,000	13-12-11	13-12-11 to 12-12-16	1.384
	10,500,000	-	-	-	(2,700,000)	7,800,000			

The closing price of the Company’s shares immediately before the date on which the options were granted was HK\$1.4 per share.

Additional Information

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

As at 30 June 2014, 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	487,500,000 <i>(Note)</i>	72.29%

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 Kwan Tat is deemed to be interested in the entire 487,500,000 shares held by Perfect One Enterprises Limited.

Save as disclosed above, as at 30 June 2014, 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The proceeds from the Listing, after deduction of related issuance expenses, amounted to approximately HK\$202.7 million. Up to 30 June 2014, approximately HK\$158.4 million has been utilised, of which (i) HK\$75.2 million was applied for expansion of retail network in the PRC market; (ii) HK\$12.0 million was applied for decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau; (iii) HK\$14.2 million was applied for marketing and promotion of the Group; (iv) HK\$3.5 million was applied for design and development of private label "MS" brand products; (v) HK\$2.4 million was applied for exploration of online sales channel; (vi) HK\$2.7 million was applied for upgrading of the Group's information technology system; (vii) HK\$0.6 million was applied for staff training and development; (viii) HK\$37.5 million was applied for acquisition of a property for the Group's own use; and (ix) HK\$10.3 million was applied for general working capital.

Additional Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company had complied with all applicable provisions under the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules save as disclosed below.

Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Period, certain regular 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 endeavor to meet the requirement of code provision A.1.3 of the CG Code in future.

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Kwan Tat is the Chairman and Chief Executive Officer of the Company. The Board believes that this structure of having Mr. Yiu Kwan Tat acting as both the Chairman and the Chief Executive Officer of the Company has been conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure would 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 Kwan Tat and believes that his appointment to the posts of Chairman as well as the Chief Executive Officer has been beneficial to the business prospects of the Group. The Company will review the current structure when and as it becomes appropriate.

On 11 July 2014, Mr. Yiu Kwan Tat resigned as the Chief Executive Officer of the Company and Mr. Choi Wai Kwok, Andy was appointed as the Chief Executive Officer of the Company. The appointment is considered to have helped the Company comply with the code provision A.2.1 of the CG Code.

Code provision A.6.7 of the CG Code requires the 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. Tam B Ray Billy, a non-executive Director, and Mr. So, Stephen Hon Cheung, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 5 June 2014 due to their other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three independent non-executive Directors, namely Mr. So, Stephen Hon Cheung (chairman), Mr. Fan Chun Wah, Andrew and Mr. Mui Ho Cheung, Gary. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2014 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 written terms of reference in compliance with the Listing Rules. The Remuneration Committee comprises four members, a majority of whom are independent non-executive Directors, namely Mr. Fan Chun Wah, Andrew (chairman), Mr. So, Stephen Hon Cheung, Mr. Mui Ho Cheung, Gary and Mr. Yiu Kwan Tat. The Remuneration 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.

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with the Listing Rules. The Nomination Committee comprises four members, a majority of whom are independent non-executive Directors, namely Mr. Yiu Kwan Tat (chairman), Mr. So, Stephen Hon Cheung, Mr. Fan Chun Wah, Andrew and Mr. Mui Ho Cheung, Gary.

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 Board has, through the Audit Committee, conducted review 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 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 Period, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Board adopted the Inside Information Policy during the Period 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

Additional Information

UPDATED INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors or Chief Executive are as follow:

Name of Directors or Chief Executive	Details of change
Mr. Yiu Kwan Tat	Resigned as the Chief Executive Officer of the Company on 11 July 2014
Mr. Fan Chun Wah, Andrew	Appointed as an independent non-executive director of Sinomax Group Limited, a company listed on the main board of the Stock Exchange, on 4 March 2014
Mr. Tam B Ray Billy	Resigned as an independent non-executive director of China Natural Investment Company Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, on 18 June 2014
Mr. Choi Wai Kwok, Andy	Appointed as the Chief Executive Officer of the Company on 11 July 2014 and he is the brother of Mr. Choi Wai Kei, the general manager (China) of the Group

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

Hong Kong, 20 August 2014



米蘭站控股有限公司
MILAN STATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1150



www.milanstation.net

Interim Report **2014** 中期報告