米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1150

2015 INTERIM REPORT

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)
Mr. Choi Wai Kwok, Andy
(Chief Executive Officer)

Non-executive Directors

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

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITORS

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

COMPANY SECRETARY

Mr. Chan Kwong Leung, Eric

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

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

THE PRC

China Construction Bank
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 2015 (the "Period") together with the comparative figures for the corresponding period in 2014 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	
		2015	2014
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Revenue	5	**208,796**	329,314
Cost of sales		**(160,700)**	(255,471)
Gross profit		**48,096**	73,843
Other income and gains	5	**21,989**	101
Selling expenses		**(49,326)**	(66,661)
Administrative and other operating expenses		**(27,156)**	(25,028)
Finance costs	6	**(407)**	(479)
Loss before tax	7	**(6,804)**	(18,224)
Income tax	8	**–**	(1,550)
Loss for the period		**(6,804)**	(19,774)
Attributable to:			
Owners of the Company		**(6,689)**	(19,306)
Non-controlling interests		**(115)**	(468)
		(6,804)	(19,774)
Loss per share			
– Basic and diluted	9	**HK(1.0 cents)**	HK(2.9 cents)

The notes on pages 9 to 23 form part of this interim financial statements. Details of dividends payable to owners 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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(6,804)**	(19,774)
Other comprehensive income for the period:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**457**	133
Reclassified on disposal of a subsidiary	**99**	–
Total comprehensive loss for the period	**(6,248)**	(19,641)
Attributable to:		
Owners of the Company	**(6,133)**	(19,173)
Non-controlling interests	**(115)**	(468)
	(6,248)	(19,641)

The notes on pages 9 to 23 form part of this interim financial statements.

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2015	31 December 2014
		(Unaudited) HK$'000	(Audited) HK$'000
Non-current assets			
Property, plant and equipment	11	**18,302**	96,646
Deferred tax assets		**574**	574
Available-for-sale investment	24	**7,745**	–
Deposits		**4,937**	8,392
Total non-current assets		**31,558**	105,612
Current assets			
Inventories		**115,376**	119,137
Trade receivables	12	**11,036**	9,748
Prepayments, deposits and other receivables		**24,577**	26,513
Tax recoverable		**2,271**	2,208
Pledged bank deposits		**–**	1,002
Cash and cash equivalents		**103,481**	59,703
Total current assets		**256,741**	218,311
Current liabilities			
Trade payables	13	**204**	–
Accrued liabilities and other payables		**15,631**	22,216
Interest-bearing bank borrowings	14	**–**	24,479
Obligations under finance leases		**346**	118
Provisions		**731**	2,515
Tax payable		**805**	846
Total current liabilities		**17,717**	50,174
Net current assets		**239,024**	168,137
Total assets less current liabilities		**270,582**	273,749
Non-current liabilities			
Accrued liabilities and other payables		**286**	2,303
Provisions		**–**	132
Obligations under finance leases		**686**	344
Deferred tax liability		**322**	322
Total non-current liabilities		**1,294**	3,101
NET ASSETS		**269,288**	270,648
CAPITAL AND RESERVES			
Issued capital	15	**6,744**	6,744
Reserves		**259,136**	260,825
Total equity attributable to owners of the Company		**265,880**	267,569
Non-controlling interests		**3,408**	3,079
TOTAL EQUITY		**269,288**	270,648

The notes on pages 9 to 23 form part of this interim financial statements.

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Other 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$'000	HK$'000
At 1 January 2015	6,744	173,102	10	(23,782)	1,729	1,320	7,403	–	101,043	267,569	3,079	270,648
Exchange differences arising on translation of foreign operations	–	–	–	–	–	457	–	–	–	457	–	457
Reclassified on disposal of a subsidiary	–	–	–	–	–	99	–	–	–	99	–	99
Loss for the period	–	–	–	–	–	–	–	–	(6,689)	(6,689)	(115)	(6,804)
Total comprehensive income/(expense) for the period	–	–	–	–	–	556	–	–	(6,689)	(6,133)	(115)	(6,248)
Change in ownership interest in a subsidiary without change of control	–	–	–	–	–	–	–	(155)	–	(155)	155	–
Equity-settled share-based transactions	–	–	–	–	–	–	4,599	–	–	4,599	–	4,599
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	289	289
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	(177)	–	177	–	–	–
At 30 June 2015	6,744	173,102*	10*	(23,782)*	1,729*	1,876*	11,825*	(155)*	94,531*	265,880	3,408	269,288

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Other 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$'000	HK$'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$259,136,000 (30 June 2014: HK$293,088,000) in the condensed consolidated statement of financial position.*

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) 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.

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

The notes on pages 9 to 23 form part of this interim financial statements.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating activities		
Cash used in operations	**(18,423)**	(21,532)
Hong Kong profits tax paid	**(62)**	(137)
Overseas taxes paid	**(41)**	–
Net cash used in operating activities	**(18,526)**	(21,669)
Cash flows from investing activities		
Interest received	**84**	34
Purchases of items of property, plant and equipment	**(3,971)**	(7,772)
Proceeds from disposal of property, plant and equipment	**89,810**	–
Net cash outflow on disposal of a subsidiary	**(303)**	–
Net cash generated from/(used in) investing activities	**85,620**	(7,738)
Cash flows from financing activities		
Repayment of bank loans	**(24,479)**	(1,156)
Decrease in pledged bank deposits	**1,002**	–
Capital element of finance lease payables	**568**	(56)
Interest paid	**(389)**	(470)
Interest elements on finance lease rental payments	**(18)**	(9)
Net cash used in financing activities	**(23,316)**	(1,691)
Net increase/(decrease) in cash and cash equivalents	**43,778**	(31,098)
Cash and cash equivalents at beginning of period	**59,703**	81,302
Cash and cash equivalents at the end of period	**103,481**	50,204
Analysis of cash and cash equivalents		
Cash and bank balances	**72,018**	50,204
Non-pledged time deposits with original maturity of less than three months when acquired	**31,463**	–
	103,481	50,204

The notes on pages 9 to 23 form part of this 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 immediate parent and 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 28 August 2015.

Except described below and the accounting policy changes that are expected to be reflected in the 2015 annual financial statements as stated in note 3 to the interim financial statements, the accounting policies adopted in the preparation of the unaudited consolidated interim financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

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

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

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

2. BASIS OF PREPARATION *(continued)*

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

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 2014 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 Hong Kong Financial Reporting Standards ("HKFRSs").

3. CHANGES IN ACCOUNTING POLICIES

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

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

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. OPERATING SEGMENT INFORMATION

The Group's principal activity is the retail 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 2015					
Revenue from external customers	171,030	11,813	25,068	885	208,796
Non-current assets	10,110	58	8,134	–	18,302
Capital expenditure	1,715	50	2,206	–	3,971

4. OPERATING SEGMENT INFORMATION *(continued)*

	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

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

Information about major customers

No customer of the Group has individually contributed 10% or more of the Group's total revenue during the Period (six months ended 30 June 2014: Nil) and no information about major customers is presented accordingly.

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	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of goods	**208,796**	329,314
Other income and gains		
Bank interest income	**84**	34
Licensing income	**59**	–
Gain on disposal of property, plant and equipment	**12,956**	–
Gross rental income	**373**	–
Gain on disposal of a subsidiary	**4,913**	–
Forfeiture of deposit received	**1,044**	–
Others	**2,560**	67
	21,989	101
	230,785	329,415

6. FINANCE COSTS

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank overdrafts	–	1
Bank loans wholly repayable:		
Within five years	389	42
Over five years	–	427
Finance lease charges	18	9
	407	479

The analysis shows the finance costs of bank borrowing, including term loan which contains a repayable on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreement.

7. LOSS BEFORE TAX

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(a) Staff costs (excluding directors' remuneration)		
Contributions to defined contribution retirement plans	512	544
Salaries, wages and other benefits	16,667	18,714
Equity-settled share option expenses	4,599	–
	21,778	19,258
(b) Other items		
Cost of inventories recognised as an expense	160,700	255,471
(Write-back of provision)/provision for slow-moving inventories included in cost of inventories recognised as an expense	(1,391)	2,261
Depreciation		
– owned assets	4,026	3,900
– assets under finance leases	420	28
Minimum lease payments under operating leases in respect of land and buildings	29,853	34,630
Write-off of property, plant and equipment	355	1,490
Loss on disposal of items of property, plant and equipment	25	–

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the period ended 30 June 2015. During the period ended 30 June 2014, Hong Kong profits tax had been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5%. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the "PRC Tax Law") of the Peoples' Republic of China (the "PRC") being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the Period was 25% (six months ended 30 June 2014: 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 2014: 12%) on the estimated taxable profits. The subsidiary in Singapore is subject to Singapore income tax at the rate of 17% (six months ended 30 June 2014: 17%).

	For the six months ended 30 June	
	2015	2014
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current charge for the period		
– Hong Kong	**–**	618
– Elsewhere	**–**	932
Total tax charge for the period	**–**	1,550

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK$6,689,000 (six months ended 30 June 2014: HK$19,306,000) and the weighted average of 674,374,000 ordinary shares (2014: 674,374,000 ordinary shares) in issue during the Period.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2015 and 2014 in respect of a dilution as the impact of the share options in issue had an anti-dilutive effect on the basic loss per share amounts presented.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2014: Nil), nor has any dividend been proposed since the end of the reporting period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group acquired items of property, plant and equipment at a total cost of HK$3,971,000 (six months ended 30 June 2014: HK$7,772,000).

Property, plant and equipment with net book value of HK$76,879,000 were disposed of by the Group during the six months ended 30 June 2015 (six months ended 30 June 2014: Nil), resulting in a net gain on disposal of HK$12,931,000 (six months ended 30 June 2014: Nil).

As at 30 June 2015, there was no property (31 December 2014: a property with carrying amount of HK$76,530,000) pledged to secure general banking facilities granted to the Group.

12. TRADE RECEIVABLES

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

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

	30 June 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within 1 month	**6,912**	8,182
1 to 2 months	**2,877**	498
2 to 3 months	**234**	464
Over 3 months	**1,013**	604
	11,036	9,748

13. 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 2015	31 December 2014
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within 1 month	**204**	–

14. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	30 June 2015	31 December 2014
	(%)		(Unaudited) HK$'000	(Audited) HK$'000
Current				
Bank loan – secured	Nil (31 December 2014: 3.25)	On demand	–	24,479

The Group's secured bank loan in the amount of HK$24,479,000 as at 31 December 2014 containing a repayment on demand clause and accordingly is included within current interest-bearing bank borrowings and analysed into bank loans payable within one year or on demand. During the six months ended 30 June 2015, the secured bank loan was fully repaid.

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

	30 June 2015	31 December 2014
	(Unaudited) HK$'000	(Audited) HK$'000
Portion of bank loans due for repayment within one year	–	2,406
Bank loans due for repayment after one year		
After 1 year but within 2 years	–	2,483
After 2 years but within 5 years	–	7,959
After 5 years	–	11,631
	–	22,073
	–	24,479

As at 31 December 2014, the bank loan facilities were supported by:

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

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

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

15. SHARE CAPITAL

	30 June 2015	31 December 2014
	(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 2014: 674,374,000) ordinary shares of HK$0.01 each	**6,744**	6,744

16. OPERATING LEASE COMMITMENTS

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

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015	31 December 2014
	(Unaudited) HK$'000	(Audited) HK$'000
Within one year	**33,204**	47,127
In the second to fifth years, inclusive	**65,422**	65,917
	98,626	113,044

17. CAPITAL COMMITMENTS

	30 June 2015	31 December 2014
	(Unaudited) HK$'000	(Audited) HK$'000
Contracted, but not provided for:		
Additions of property, plant and equipment	**–**	1,219

18. 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 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Rental expenses paid to related companies	(a)	**4,533**	4,818
Rental deposit paid to a related company		**–**	156
Purchases from a related company	(b)	**586**	48
Renovation costs to a related company	(c)	**90**	152
Legal and professional expenses to a related company	(d)	**144**	189

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. Ms. Yiu has resigned as a director of the Company on 17 February 2014.

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

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

(d) Legal and professional expenses to a related company, in which Mr. Tam B Ray, Billy is a partner, were made on mutually agreed terms.

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

	For the six months ended 30 June 2015 (Unaudited) HK$'000	2014 (Unaudited) HK$'000
Short-term employee benefits	**4,200**	5,261
Post-employment contributions	**51**	52
	4,251	5,313

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

	30 June 2015 (Unaudited) HK$'000	31 December 2014 (Audited) HK$'000
Within one year	**4,464**	11,394

The leases related to the related companies run for an initial period of 1 to 2 years and the related commitments are included in note 16.

19. 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 2015	31 December 2014
	(Unaudited) HK$'000	(Audited) HK$'000
Available-for-sale investment	7,745	–
Trade receivables	11,036	9,748
Financial assets included in prepayments, deposits and other receivables	22,736	19,605
Pledged bank deposits	–	1,002
Cash and cash equivalents	103,481	59,703
	144,998	90,058

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 2015	31 December 2014
	(Unaudited) HK$'000	(Audited) HK$'000
Trade payables	204	–
Financial liabilities included in accrued liabilities and other payables	11,616	19,528
Interest-bearing bank borrowings	–	24,479
Obligations under finance leases	1,032	462
	12,852	44,469

20. DEEMED DISPOSAL OF A SUBSIDIARY

On 5 January 2015, a company was formed as a limited company in Hong Kong (the "Project Company"). Upon establishment and since 30 January 2015, the Project Company was acquired and owned as to 90% by Standpoint Global Limited ("Standpoint") and 10% by J&C (Asia) Limited ("J&C"). The Project Company was taken over by Standpoint and J&C to acquire the entire equity interests owned by Milan Station Internet Technology Limited ("Milan Station Internet"), a subsidiary of the Group, in 潮袋(上海)網絡科技有限公司 ("Chaodai"), a PRC registered subsidiary of the Group. On 16 February 2015, Milan Station Internet entered into an equity transfer agreement with the Project Company, by which Milan Station Internet transferred the 100% equity interest in Chaodai to the Project Company at nominal value, and pursuant to a subsequent supplemental agreement entered into between Milan Station Internet and the Project Company, the nominal consideration was waived. The Project Company then allotted new shares, which represent 61.1% of the enlarged entire issued share capital of the Project Company, to an independent third party (the "Investor") for a subscription price of HK$13,750,000. Upon the completion of the subscription by the Investor on 2 March 2015, the Project Company has ceased to be a subsidiary of the Group.

	HK$'000
Net assets disposed of	
Property, plant and equipment	626
Inventories	2,562
Accounts receivables	54
Amount due from fellow subsidiaries	16
Prepayment and other receivables	1,394
Bank balances and cash	303
Amount due to fellow subsidiaries	(1,793)
Accruals and other payables	(718)
	2,444
Non-controlling interest	289
Net assets disposed of	2,733
Transfer to available-for-sale investment	(7,745)
	(5,012)
Reclassification of exchange fluctuation reserve	99
	(4,913)
Gain on disposal of a subsidiary	4,913
Cash consideration received	–
Net cash outflow arising on disposal:	
Cash received	–
Bank balances and cash disposal of	(303)
	(303)

21. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

(a) Acquisition of additional interest in a subsidiary

On 2 March 2015, the Group acquired an additional 10% of the issued shares of Milan Station Internet Technology Limited for a nominal value. The carrying amount of the non-controlling interests in Milan Station Internet Technology Limited on the date of acquisition was HK$155,000. The Group recognised a increase in non-controlling interests of HK$155,000 and a decrease in equity attributable to owners of the Company of HK$155,000. The effect of changes in the ownership interest of the Group on the equity attributable to owners of the Company during the Period is summarised as follows:

	30 June 2015 (Unaudited) HK$'000
Carrying amount of non-controlling interests acquired	(155)
Consideration paid to non-controlling interests	–
Excess of consideration paid recognised within equity	(155)

(b) Effects of transactions with non-controlling interests on the equity attributable to owners of the Company for the six months ended 30 June 2015

	30 June 2015 (Unaudited) HK$'000
Changes in equity attributable to owners of the Company arising from:	
– Acquisition of additional interests in subsidiary	(155)
Net effect for transactions with non-controlling interests on equity attributable to owners of the Company	(155)

22. DISCLOSEABLE TRANSACTION – DISPOSAL OF LAND AND BUILDINGS

On 30 April 2015, Milan Station Properties Holdings Limited (the "Vendor") entered into an agreement with the purchaser for the disposal of a property (the "Disposal") at a total consideration of HK$89,160,000.

After completion of the Disposal, the Vendor and the purchaser entered into a tenancy agreement by which the Vendor will lease back the property for the period commencing from 1 June 2015 to 31 May 2020 (both dates inclusive) at the monthly rental of HK$250,000 for the first 3 years ending 31 May 2018 and HK$287,500 for the remaining 2 years ending 31 May 2020. The Disposal has been fulfilled and the completion of the Disposal took place on 29 May 2015.

23. ISSUE OF WARRANTS

On 22 July 2015, the Company entered into the Subscription Agreements with the Subscribers pursuant to which the Warrants will be issued at the issue price of HK$0.081 per Warrant, subject to the Condition, to the Subscribers.

Upon full exercise of the Warrants at the Exercise Price of HK$1.20 per Subscription Share, a maximum of 54,000,000 Subscription Shares will be issued.

On 4 August 2015, the Company entered into a supplemental agreement with each of the Subscribers pursuant to which (i) completion of the Warrants Issue will also be conditional upon the Shareholders passing the resolution(s) at a general meeting of the Company to approve the respective Subscription Agreement; and (ii) the deadline for fulfillment of the conditions precedent under the Subscriptions Agreements has been postponed to 4 October 2015 or such other date as may be agreed between each of the Subscribers and the Company in writing.

24. FAIR VALUE ESTIMATION

The Group discloses fair value measurements of financial instruments by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

24. FAIR VALUE ESTIMATION *(continued)*

The following table presents the Group's assets/liabilities that are measured at fair value as at 30 June 2015.

	30 June 2015 (Unaudited) HK$'000
Level 3	
Available-for-sale financial assets	
Unlisted equity securities	7,745
Total	7,745

There were no transfer between level 1 and level 2.

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

24. FAIR VALUE ESTIMATION *(continued)*

(b) Financial instruments in level 2 *(continued)*

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(c) Financial instruments in level 3

The following table presents the changes in level 3 instruments for the six months ended 30 June 2015:

	Available-for-sale financial assets Unlisted securities (Unaudited)
	HK$'000
Beginning of period	–
Additions of unlisted securities	7,745
End of period	7,745

25. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 28 August 2015.

Management Discussion and Analysis

MARKET OVERVIEW

In the first half of 2015, the United States' economy was improving gradually while the Eurozone also showed signs of economic recovery after the region's central bank had implemented quantitative easing policies. However, the persistent Greek debt crisis overshadowed the confidence in global financial markets. In particular, the stock market of mainland China took a significant nosedive in June, which had dampened the consumer sentiment in the country and Hong Kong, with a more pronounced impact on the luxury goods market. As a result, the retail business in mainland China, Hong Kong and Macau was somewhat affected.

HONG KONG'S RETAIL MARKET

In the first quarter of 2015, Hong Kong's economy recorded a mild growth, with its gross domestic products (GDP) going up by 2.1% year on year. Nevertheless, its retail market remained weak. The information from the Hong Kong Census & Statistics Department showed consistent decreases in the indexes for the price and volume of retail sales of jewellery, watches and clocks, and valuable gifts in the first half of 2015, reflecting the tourists' dwindling consumption of high-priced luxury goods. The trend was attributable to a number of unfavourable factors. During the Period, the central government implemented the "One Trip Per Week" policy to restrict the frequency of Shenzhen residents' visits to Hong Kong. Moreover, the Chinese government's move to slash import tariffs on a range of consumer goods narrowed the price gap between such items sold in mainland China and Hong Kong. The strengthening Hong Kong dollar also reduced the attractiveness of shopping in the city for the mainland Chinese tourists, thus further depressing the local retail market.

MAINLAND CHINA'S RETAIL MARKET

According to the information from China's National Bureau of Statistics, the country's gross domestic product (GDP) in the first half of 2015 went up by 7.0%, representing a slowdown in growth over the same period last year. The economic growth momentum remained weak. Total retail sales of consumer goods for the first six months of 2015 grew by 10.4% year on year to approximately RMB14.2 trillion, representing a decline of 1.7 percentage points in growth rate when compared to that in the same period last year. Apart from the economic slowdown, other factors that also depressed the Chinese luxury goods market were the central government's anti-corruption measures, the fluctuation in foreign exchange rates and the differentiated pricing strategies of luxury brands in different markets that incentivized the Chinese consumers to buy luxury goods overseas, leading to a deceleration in the domestic luxury goods market.

MACAU'S RETAIL MARKET

The central government's anti-corruption policies have also triggered a consistent slide in the gambling revenue in Macau since the beginning of last year. In the first half of 2015, the overall gambling revenue in Macau dropped 37.0% year on year to approximately MOP121.6 billion. The city also saw a decrease in visitor arrivals, which fell by 3.5% year on year to approximately 14.8 million in the first half of 2015, reflecting the impact of tighter restriction on mainland Chinese people's visits to the city and the Macau government's smoking ban at gambling venues. The effect also spilt over into the luxury goods retailing.

BUSINESS REVIEW

In the first half of 2015, the economic slowdown and the changes in government policies in mainland China and Hong Kong as well as the deteriorating consumer sentiment made the operating environment challenging to the Group. In view of this, the Group adhered to the principle of providing genuine and certified products for its target customers, and continued to enrich product mix and explore diverse sales channels so as to consolidate its leading position in the market. At the same time, the Group controlled costs and expenses stringently and perfected the procurement and pricing strategies, thereby making its business and development sustainable despite severe challenges and tests.

During the Period, the Group's total revenue decreased by approximately 36.6% to approximately HK$208.8 million. The revenues generated in the markets of Hong Kong, mainland China, Macau and Singapore accounted for 81.9%, 12.0%, 5.7% and 0.4% respectively of the Group's revenue. The Group raised the proportion of direct import from European partners, thus maintaining its gross profit at approximately HK$48.1 million, which was dropped by 34.9% compare with the same period last year. The loss for the Period decreased significantly by 65.6% to HK$6.8 million due to effective cost control and a one-off gain of approximately HK$12 million from the disposal of a property.

Hong Kong

During the Period, sales at the Group's Hong Kong business decreased by 28.4% to approximately HK$171 million. The revenue was derived from a total of eight "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.

The Group adhered to the principle of providing genuine and certified products for its customers, and has formulated a professional and stringent product certification system. During the Period, the Group continued to devote more human resources to the management of merchandise quality, and strengthened the certification programmes with the finer division of labor to ensure that all goods are being inspected by a professional team. These measures help the Group maintain its brand credibility and earn market's recognition of "Milan Station", thus consolidating its leading position in the luxury brand handbags trading industry despite the adverse operating environment.

During the Period, the Group implemented stringent control on procurement costs and standardized the pricing of its products in order to improve its gross profit margin and mitigate the impact of decreased sales volume on the Group. On one hand, the Group achieved higher profit margin by enhancing its relationships with key European luxury brand handbag distributors and by increasing the proportion of direct procurement from them. On the other hand, the Group perfected the pricing mechanism by standardizing the pricing of the products at each of its stores to enhance the products' price competiveness. It also built a unified brand image and strengthened its marketing management.

For the product mix, the Group continued to focus on sales under high-end brands and ensured the quality of the products that it sourced in order to improve customers' shopping experience. This enabled it to maintain a quality customer base that it has established over the years and helped it mitigate the impact of decreased foot traffic on sales volume, thus enhancing its competitive strengths and reinforcing its market share. Furthermore, as mainland Chinese tourist groups with weaker spending power from the country's second and third-tier cities accounted for a higher proportion of all the mainland Chinese who were visiting Hong Kong, the Group enriched its product mix accordingly with handbags of other brands to cater for the demand that resulted from the change in the composition of the consumer group.

During the Period, the Group's Hong Kong-based business retail network remained stable. Given that the consumer sentiment has deteriorated recently, the Group carried out negotiations with landlords to stabilize the rental cost at reasonable levels. In view of the changes in the consumers' buying pattern, the Group continued to open more cost-effective and diverse sales channels. It is worth mentioning that the Group explored new sales channels to provide unique and valuable high-value products for its customers during the Period by selling limited edition handbags in auction sales. Selling products through such channel usually allows the vendor to enjoy higher bargaining power and profit. On the other hand, the Group realigned its directly managed and operated online shop (milanstation.net) and adapted its product mix to online shopping to improve the image of the online shop. The move also led to the online shop's synergy with its physical stores. In addition, the Group terminated all the consignment sales operations at the sales counters on four Hong Kong cruises in March this year after assessing their performances and operating costs amid the significant decline in the number of high-spending tourists.

To continue improving brand recognition and reputation, the Group placed a number of advertisements in various channels over the years. In order to adapt to the changing consumption pattern, the Group leveraged the more cost-effective and emerging media channels such as social media and search engine banner advertisement to promote its brand in addition to the traditional media such as television and newspapers. Furthermore, the Group continued to cooperate with various banks, hotels and retail partners in conducting various sales promotions and offering sales discounts to members who had registered with the "Milan Station Loyalty Membership Scheme".

Mainland China

China's economic slowdown and government measures to advocate frugality hindered the development of the luxury goods industry. The Group closed its store in Shanghai during the Period and sub-let part of the retail area of its Beijing store to other retail partners to save cost and expenses and improve return rate per unit area. At present, the Group has four "Milan Station" retail stores which are respectively located in Beijing, Shenyang, Jiangmen and Chengdu.

During the Period, leading handbag brands were discounting their products aggressively, especially in seasonal sales, in an attempt to revive the wavering consumer sentiment. The Group also adjusted its product price range to cope with the intensifying market competition in order to maintain its market position. During the Period, the Group's revenue derived from mainland China was approximately HK$25.1 million, decreased by 8.3% compare with the same period last year.

Macau

Macau's Gambling industry and tourism hit their troughs, significantly affecting the Group's business in the city. During the Period, the Group closed its retail stores in Macau. The business performance of its points of sale in exclusive clubhouses was unsatisfactory. The Group's revenue from the Macau market sharply declined by 78.6% to approximately HK$11.8 million.

Overseas Market

In February this year, the Group's franchised operator in the Singapore market terminated its franchised operation. During the Period, revenue from Singapore market amounted to approximately HK$0.9 million.

The Group will review the market conditions in Singapore regularly and may reconsider the franchised operation in the country when the market outlook becomes promising.

FINANCIAL REVIEW

Revenue

During the Period, total revenue decreased to approximately HK$208.8 million, representing a decrease of 36.6% as compared to approximately HK$329.3 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 99.3% of the total revenue of the Group. The revenue generated from the sales of unused products decreased from approximately HK$218 million recorded in the corresponding period last year, representing 66.2% of the total revenue of the Group, to approximately HK$154.6 million during the Period, representing 74.0% 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 2015, the revenue generated from the Hong Kong market was approximately HK$171.0 million, representing approximately 81.9% of the total revenue of the Group for the Period. Revenue generated from Mainland China market decreased from approximately HK$27.3 million during the corresponding period last year to approximately HK$25.1 million during the Period. Revenue generated from Macau market decreased from approximately HK$55.2 million during the corresponding period last year to approximately HK$11.8 million during the Period.

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2015 and 2014 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				
	2015		2014		
	HK$ million	Percentage of total revenue %	HK$ million	Percentage of total revenue %	Percentage change in revenue %
By product categories (handbags and other products)					
Handbags	207.4	99.3	326.8	99.2	(36.5)
Other products	1.4	0.7	2.5	0.8	(46.9)
Total	208.8	100.0	329.3	100.0	(36.6)
By product categories (unused and second-hand products)					
Unused products	154.6	74.0	218.0	66.2	(29.1)
Second-hand products	54.2	26.0	111.3	33.8	(51.3)
Total	208.8	100.0	329.3	100.0	(36.6)
By price range of products					
Within HK$10,000	35.3	16.9	66.9	20.3	(47.3)
HK$10,001 – HK$30,000	40.4	19.4	69.9	21.2	(42.1)
HK$30,001 – HK$50,000	14.8	7.1	20.9	6.4	(29.0)
Above HK$50,000	118.3	56.6	171.6	52.1	(31.1)
Total	208.8	100.0	329.3	100.0	(36.6)
By geographical locations					
Hong Kong	171.0	81.9	238.9	72.5	(28.4)
The PRC	25.1	12.0	27.3	8.3	(8.3)
Macau	11.8	5.7	55.2	16.8	(78.6)
Singapore	0.9	0.4	7.9	2.4	(88.8)
Total	208.8	100.0	329.3	100.0	(36.6)

Cost of sales

For the six months ended 30 June 2015, cost of sales of the Group was approximately HK$160.7 million, decreased by 37.1% compare with the same period last 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 decreased by HK$25.7 million to approximately HK$48.1 million, with its gross profit margin increased slightly by 0.6% to 23.0%. Written off of provision for slow-moving inventories included in cost of sales for the six months ended 30 June 2015 amounted to approximately HK$1.4 million.

Gross profit margins of the Group's operations in Hong Kong, Mainland China, Macau and Singapore were 22.4%, 24.1%, 30.4% and 28.8%, respectively (six months ended 30 June 2014: 19.3%, 20.5%, 35.8% and 29.5%, respectively).

Inventory analysis

The Group's total inventories as at 30 June 2015 and 31 December 2014 were approximately HK$115.4 million and HK$119.1 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 2015 and 31 December 2014:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	HK$'000
Aging of inventories (handbags products)		
0 to 90 days	**40,119**	25,055
91 to 180 days	**19,755**	31,062
181 days to 1 year	**21,590**	40,536
Over 1 year	**32,331**	21,405
Total	**113,795**	118,058

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2015 and 31 December 2014:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	HK$'000
Aging of inventories (other products)		
0 to 45 days	257	36
46 to 90 days	163	78
91 days to 1 year	581	947
Over 1 year	580	18
Total	1,581	1,079

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK$50,000 as at 30 June 2015 and 31 December 2014:

	As at 30 June 2015	As at 31 December 2014
	HK$'000	HK$'000
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	26,048	12,331
91 to 180 days	11,201	16,715
181 days to 1 year	10,125	20,092
Over 1 year	12,570	9,818
Total	59,944	58,956

Other income and gains

Other income and gains amounted to approximately HK$22.0 million, significantly increased by HK$21.9 million as compared to the corresponding period last year. It was mainly attributable to a gain from disposal of a property.

Selling expenses

The major items of the Group's selling expenses include rent and rates, employee benefit expenses for sales staff and bank credit card charges. For the six months ended 30 June 2015, selling expenses of the Group were approximately HK$49.3 million, representing 23.6% of its revenue (six months ended 30 June 2014: approximately HK$66.7 million, representing 20.3% of revenue). Selling expenses continued to decline during the Period under review, mainly due to a decrease 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 2015 amounted to approximately HK$27.2 million, slightly increase by approximately HK$2.1 million as compared to the corresponding period last year, representing approximately 13.0% 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 increase during the Period due to the granting of share option 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$479,000 in the first half year of 2014 to approximately HK$407,000 in the current period.

Loss attributable to equity holders

Loss attributable to equity holders of the Group for the six months ended 30 June 2015 was approximately HK$6.7 million, representing a decrease of 65.4% from approximately HK$19.3 million for the period ended 30 June 2014. Loss per share attributable to owners was approximately HK1.0 cents for the six months ended 30 June 2015, as compared to approximately HK2.9 cents for the six months ended 30 June 2014.

Employees and remuneration policy

As at 30 June 2015, the Group had a total of 115 employees (31 December 2014: 150 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 2015, the Group's interest-bearing bank borrowing was zero (31 December 2014: HK$24.5 million). The borrowing is denominated in Hong Kong dollars. The bank loan bears interest at prevailing commercial lending rates.

As at 30 June 2015, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$103.5 million, HK$19.0 million and HK$265.9 million respectively (31 December 2014: approximately HK$59.7 million, HK$53.3 million and HK$267.6 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2015 were approximately 0.4%, 14.5 and 8.0 respectively (31 December 2014: 7.7%, 4.4 and 2.0 respectively). The Group's gearing ratio decreased and quick ratio rose in the six months ended 30 June 2015 mainly due to the repayment of interest bearing borrowings, and increase in cash and cash equivalents, respectively.

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

As at 30 June 2015, the Group had no assets and bank deposit (31 December 2014: HK$76.5 million and 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 2015, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitments on property, plant and equipment was zero as at 30 June 2015 and amounted to approximately HK$1.2 million as at 31 December 2014.

Litigation

On 29 January 2015, Milan Station Asia Pacific Retail (Beijing) Co. Ltd. ("MS Beijing"), a wholly owned subsidiary of the Company, received a notice of claim from Beijing San Dong An Co. Ltd. ("Beijing San Dong An") for the case in relation to dispute arising from the early termination of the lease agreement on 5 June 2014 between MS Beijing as tenant and Beijing San Dong An as landlord in respect of a retail shop at 北京王府井新東安廣場, pursuant to which the landlord claimed the amount of about RMB2.78 million being the compensation for the early termination of the lease agreement. Beijing San Dong An reached a conclusion on 5 March 2015 with MS Beijing that MS Beijing shall pay Beijing San Dong An the sum of approximately RMB1,344,000 which included a rental deposit of RMB655,000 being forfeited by Beijing San Dong An and recognised as expenses for the year ended 31 December 2014, and additional claims of RMB689,000. On the same date, 北京市東城區人民法院 issued the civil settlement order in respect of the case. The additional claims of RMB689,000 was recognised as a provision as at 31 December 2014, and paid to Beijing San Dong An on 20 March 2015.

Connected Transaction – Disposal of a subsidiary

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

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

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

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

Disposal of a property

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

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

Event after the reporting period

Exercise of Share Options

On 15 July 2015, a total of 3,113,000 share options were exercised by certain eligible employees of the Company to subscribe 3,113,000 ordinary shares under the share options scheme adopted on 28 April 2011 at an exercise price of HK$0.616 per share and the shares were issued on 21 July 2015. The weighted average closing price of the share immediately before the date on which the share options were exercised was HK$0.88 per share.

Issue of Warrants

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

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

On 4 August 2015, the Company entered into a supplemental agreement with each of Mr. Lam and Mr. Chau pursuant to which (i) the completion of the issue of the Warrants will be conditional upon the Company's shareholders approval at a general meeting of the Company in respect of the Subscription Agreements, including the issue of the Warrants and the grant of the specific mandate and for the allotment and issue of the subscription shares; and (ii) the deadline for fulfillment of the conditions precedent under the Subscription Agreements has been postponed to 4 October 2015 or such other date as may be agreed between each of Mr. Lam and Mr. Chau and the Company in writing. Accordingly, as at the date of this report, the Subscription Agreements have not yet been completed.

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

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

OUTLOOK

In view of the uncertain global economic prospect, China has revised down the forecast for its economic growth for 2015. The rest of the year will be challenging for the overall retail market, and the luxury goods consumption will be affected in both the country and Hong Kong. The growth in the number of visitors from mainland China to Hong Kong is expected to decelerate continuously, casting uncertainty over the already weak retail market. Hong Kong's local consumption market still lacks impetus in the second half of 2015. However, China's economy is expected to stabilize in the second half of the year as the central government has stepped up economic stimulus since the end of last year. At the same time, Chinese consumers will become even more particular about brand names and style as their disposable income is increasing and the living standard of the middle class is improving. In the long run, there is still immense potential to tap in China's consumption market, especially the market for high-priced luxury goods. The Group is cautiously optimistic about the outlook of the luxury goods market in mainland China and Hong Kong.

Development Strategy

In the future, the Group will continue with its core strategy of consolidating its leading position in Hong Kong's market and prudently expanding the market in mainland China. To cope with the challenges brought by the current weak retail markets in the country and the city, the Group has adopted a series of measures to reinforce its foundations and strengths for growth in the long term. In the second half of 2015, the Group will continue to explore cost-effective and diverse sales channels, consolidate its traditional retail network, and adjust its product mix. Meanwhile, the Group will strictly control its costs, and enhance its operational efficiency and overall competiveness so as to cope with the changing operating environment flexibly.

The Group's strategy of direct procurement from key European luxury brand handbag distributors has yielded satisfactory results as it has formed good relationships with them ever since its establishment. It will continue to increase its direct procurement from such distributors to enhance the price competiveness of the brand new products, further reduce procurement costs, improve overall gross profit margin and consolidate its share of the existing markets for brand new and second-hand handbags. The Group will also closely monitor the market situation and prudently evaluate the opportunities of commencing its own "MS" brand handbag business. It will continue to participate in auction sales as part of its move to diversify its sales channels and to improve the profit margin.

Although the pressure of rising rents is expected to be mitigated amid a slowdown in the retail market, the Group will continue its efforts to control the overall rental cost, evaluate the efficiency of its retail stores, and actively integrate its store networks in the core markets. The Group will continue to prudently renew the leases for or relocate those stores and plan to identify suitable shop spaces in second-tier shopping stores in the future to keep rents at a manageable level. In the mainland China market, the Group will endeavor to maintain the existing store network, develop it prudently and stabilize the sales performance of each of the stores. It will also seek potential business partners for joint ventures or franchised stores.

The rapid development of e-commerce in mainland China over the past few years has changed the domestic consumption pattern, posing huge potential for growth. To seize the huge market opportunity proactively, the Group will closely monitor consumer preference, select a batch of hot-selling products for consumers to purchase on online platforms, further optimize the online product mix, and attract more potential customers. It will improve the performance of its online shopping business in order to attain synergy between its online and offline operations.

The Group always believes in applying consistent and stringent standards to its operations. It will continue to leverage its strong brand, diverse sales channels and ability to promptly adapt to the market environment that it has developed over the years to enhance its brand image and market position amid the current difficult operating environment. In addition, the Group will closely monitor the market situation, and will be open to opportunities for acquisition of businesses if they are to contribute to growth and fit in its development strategies. The management of the Group will try its best to generate reasonable returns to its shareholders once the economy begins to pick up in the second half year.

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

As at 30 June 2015, the Directors and the chief executives of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange:

Long positions in ordinary shares of the Company

	Number of shares held, capacity and nature of interest				Approximate percentage of issued share capital
Name of Director	Personal Interest	Corporate Interest	Family Interest	Total	
Mr. Yiu Kwan Tat	–	375,500,000 *(Note)*	–	375,500,000	55.68%

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 375,500,000 shares held by Perfect One Enterprises Limited.

Long position in share options of the Company

	Number of share options			Approximate percentage of issued share capital
Name of Directors	Personal Interest	Family Interest	Total	
Executive Directors				
Mr. Yiu Kwan Tat	8,740,000	–	8,740,000	1.30%
Mr. Yiu Kwan Wai, Gary	8,740,000	–	8,740,000	1.30%
Mr. Choi Wai Kwok, Andy (appointed on 1 April 2015)	3,900,000	–	3,900,000	0.58%
Non-executive Directors				
Mr. Tam B Ray, Billy	500,000	–	500,000	0.07%
Mr. Yuen Lai Yan, Darius	300,000	–	300,000	0.04%
Independent Non-executive Directors				
Mr. So, Stephen Hon Cheung	500,000	–	500,000	0.07%
Mr. Fan Chun Wah, Andrew (resigned on 1 August 2015)	300,000	–	300,000	0.04%
Mr. Mui Ho Cheung, Gary (resigned on 1 August 2015)	300,000	–	300,000	0.04%

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executives of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 28 April 2011 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The movements in share options granted under the Scheme during the six months ended 30 June 2015 are shown below:

	Number of share options									
Name or category of participant	At 1 January 2015	Granted during the period	Exercised during the period	Expired during the period	Reclassified during the period	Lapsed during the period	At 30 June 2015	Date of grant of share options	Validity period of share options	Exercise price of share options HK$ per share
Executive Directors										
Mr. Yiu Kwan Tat	2,000,000	–	–	–	–	–	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
	6,740,000	–	–	–	–	–	6,740,000	11-7-14	11-7-15 to 10-7-19	0.616
Mr. Yiu Kwan Wai, Gary	2,000,000	–	–	–	–	–	2,000,000	13-12-11	13-12-11 to 12-12-16	1.384
	6,740,000	–	–	–	–	–	6,740,000	11-7-14	11-7-15 to 10-7-19	0.616
Mr. Choi Wai Kwok, Andy (appointed on 1 April 2015)	–	–	–	–	3,900,000	–	3,900,000	11-7-14	11-7-15 to 10-7-19	0.616
Non-executive Directors										
Mr. Tam B Ray, Billy	200,000	–	–	–	–	–	200,000	13-12-11	13-12-11 to 12-12-16	1.384
	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Yuen Lai Yan, Darius	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Independent Non-executive Directors										
Mr. So, Stephen Hon Cheung	200,000	–	–	–	–	–	200,000	13-12-11	13-12-11 to 12-12-16	1.384
	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Fan Chun Wah, Andrew (resigned on 1 August 2015)	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
Mr. Mui Ho Cheung, Gary (resigned on 1 August 2015)	–	300,000	–	–	–	–	300,000	13-5-15	13-5-15 to 12-5-20	1.210
	17,880,000	1,500,000	–	–	3,900,000	–	23,280,000			
Employees:										
Chief Executive Officer:										
Mr. Choi Wai Kwok, Andy (appointed as Executive Director on 1 April 2015)	3,900,000	–	–	–	(3,900,000)	–	–	11-7-14	11-7-15 to 10-7-19	0.616
Other employees										
In aggregate	3,050,000	–	–	–	–	(200,000)	2,850,000	13-12-11	13-12-11 to 12-12-16	1.384
	11,485,000	–	–	–	–	(975,000)	10,510,000	11-7-14	11-7-15 to 10-7-19	0.616
	36,315,000	1,500,000	–	–	–	(1,175,000)	36,640,000			

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e. 12 December 2011, 10 July 2014 and 12 May 2015, were HK$1.4, HK$0.61 and HK$1.28 per share respectively.

During the Period, (i) a total of 1,500,000 share options under the Scheme were granted by the Company; (ii) 3,900,000 share options under the scheme was reclassified; (iii) at the extraordinary general meeting of the Company held on 5 June 2015, the Company was authorised to refresh the scheme mandate limit to issue a maximum of 67,437,400 share options under the Scheme; and (iv) a total of 1,175,000 share options was lapsed.

As at the date of this interim report, the total number of shares available for issue under the Scheme is 100,364,400, which represents approximately 14.81% of the issued share capital of the Company as at 28 August 2015 (i.e. 677,487,000 shares).

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

As at 30 June 2015, shareholders of the Company (not being Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company are set out below:

	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Perfect One Enterprises Limited	Beneficial owner	375,500,000 *(Note)*	55.68%

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 375,500,000 shares held by Perfect One Enterprises Limited.

Save as disclosed above, as at 30 June 2015, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, 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 2015, approximately HK$161.3 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$17.0 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$0.7 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2015, 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.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. Yuen Lai Yan, Darius, 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 and the extraordinary general meeting, both held on 5 June 2015 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 2015.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. During the six months ended 30 June 2015, 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. On 22 July 2015, Mr. Fan Chun Wah, Andrew and Mr. Mui Ho Cheung, Gary ceased to be a member of the Audit Committee and Mr. Chan Chi Hung and Mr. Tou Kin Chuen were appointed as a member of the Audit Committee on the same date. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2015 and discussed with the management of the Company on auditing, internal control and financial reporting matters. The Group's independent auditor, Crowe Horwath (HK) CPA Limited, have been engaged to review the condensed consolidated financial statements. On the basis of their review, nothing has come to their attention that causes them to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference in compliance with the Listing Rules. During the six months ended 30 June 2015, 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. On 22 July 2015, Mr. Fan Chun Wah, Andrew ceased to be the chairman of the Remuneration Committee and Mr. Tou Kin Chuen was appointed as the chairman of the Remuneration Committee. On the same date, Mr. Mui Ho Cheung, Gary ceased to be a member of the Remuneration Committee and Mr. Chan Chi Hung was appointed as a member of the Remuneration Committee. 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.

Additional Information

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with the Listing Rules. During the six months ended 30 June 2015, 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. On 22 July 2015, Mr. Fan Chun Wah, Andrew and Mr. Mui Ho Cheung, Gary ceased to be a member of the Nomination Committee and Mr. Chan Chi Hung and Mr. Tou Kin Chuen were appointed as a member of the Nomination Committee on the same date.

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 an independent auditor, 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 2015 (six months ended 30 June 2014: Nil).

UPDATED INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors and chief executive of the Company since the date of the Company's 2014 annual report are as follow:

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Name of Directors or Chief Executive	Details of change
Mr. Choi Wai Kwok, Andy	Appointed as an Executive Director on 1 April 2015
Ms. Wong Woon Yuk, Angela	Ceased to be the Chief Operating Officer of the Company on 24 April 2015
Mr. So, Stephen Hon Cheung	Appointed as an independent non-executive director of Pinestone Capital Limited, a company listed on the Growth Enterprise Market of the Stock Exchange, on 22 May 2015
Mr. Fan Chun Wah, Andrew	Appointed as an independent non-executive director of Culturecom Holdings Limited, a company listed on the main board of the Stock Exchange, on 22 April 2015
Mr. Fan Chun Wah, Andrew	Ceased to be the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee on 22 July 2015 and resigned as an Independent Non-executive Director on 1 August 2015
Mr. Mui Ho Cheung, Gary	Ceased to be a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 22 July 2015 and resigned as an Independent Non-executive Director on 1 August 2015
Mr. Chan Chi Hung	Appointed as an Independent Non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 22 July 2015
Mr. Tou Kin Chuen	Appointed as an Independent Non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee on 22 July 2015

Additional Information

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments of the Directors and the chief executives of the Company are determined by the Board with reference to the Company's performance and profitability, and the prevailing market conditions.

The Directors' and the chief executive's entitlement to director fee and emoluments (which will be pro-rata to the period of services in the year of their appointments) for the year ending 31 December 2015 are as follows:

Name of Directors or Chief Executives	Emoluments HK$
Mr. Choi Wai Kowk, Andy (appointed as an Executive Director on 1 April 2015)	1,764,000
Ms. Wong Woon Yuk, Angela (ceased to be the Chief Operating Officer on 24 April 2015)	728,710
Mr. Fan Chun Wah, Andrew (resigned on 1 August 2015)	116,667
Mr. Mui Ho Cheung, Gary (resigned on 1 August 2015)	116,667

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

Hong Kong, 28 August 2015

出 EXIT 米蘭站 Milan Station ®

www.milanstation.net