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米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with liability)

Stock Code: 1150

2016

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)
Mr. Hu Bo

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
Mr. Chau Shing Yip Colin

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

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

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

THE PRC

China Construction Bank Corporation
DBS Bank (China) Limited

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 2016 (the “Period”) together with the comparative figures for the corresponding period in 2015 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	
		2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	160,248	208,796
Cost of sales		(127,543)	(160,700)
Gross profit		32,705	48,096
Other (losses)/income and gains, net	5	(11,048)	21,989
Selling expenses		(36,248)	(49,326)
Administrative and other operating expenses		(24,150)	(27,156)
Finance costs	6	(49)	(407)
Loss before tax	7	(38,790)	(6,804)
Income tax	8	–	–
Loss for the period		(38,790)	(6,804)
Attributable to:			
Owners of the Company		(37,935)	(6,689)
Non-controlling interests		(855)	(115)
		(38,790)	(6,804)
Loss per share			
– Basic and diluted	9	HK(5.6 cents)	HK(1.0 cent)

The notes on pages 9 to 20 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	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss for the period	(38,790)	(6,804)
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	604	457
Reclassified on disposal of a subsidiary	–	99
	604	556
Total comprehensive expense for the period	(38,186)	(6,248)
Attributable to:		
Owners of the Company	(37,316)	(6,133)
Non-controlling interests	(870)	(115)
	(38,186)	(6,248)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	14,596	14,612
Intangible assets		4,486	4,768
Available-for-sale investment		–	2,600
Deposits		8,307	10,576
Total non-current assets		27,389	32,556
Current assets			
Inventories		77,650	115,056
Trade receivables	12	3,881	9,168
Prepayments, deposits and other receivables		14,798	14,345
Tax recoverable		1,243	1,265
Cash and cash equivalents		89,050	82,069
Total current assets		186,622	221,903
Current liabilities			
Trade payables	13	96	773
Accrued liabilities and other payables		15,863	18,846
Obligations under finance leases		1,696	353
Provisions		135	18
Tax payable		924	942
Total current liabilities		18,714	20,932
Net current assets		167,908	200,971
Total assets less current liabilities		195,297	233,527
Non-current liabilities			
Other liabilities		195	4,554
Provisions		136	266
Obligations under finance leases		4,552	507
Deferred tax liabilities		788	788
Total non-current liabilities		5,671	6,115
NET ASSETS		189,626	227,412
CAPITAL AND RESERVES			
Issued capital	14	6,781	6,775
Reserves		179,814	216,736
Equity attributable to owners of the Company		186,595	223,511
Non-controlling interests		3,031	3,901
TOTAL EQUITY		189,626	227,412

The notes on pages 9 to 20 form part of this interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Other Reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016 (audited)	6,775	175,834	10	(23,782)	1,729	(1,072)	10,551	-	53,466	223,511	3,901	227,412
Exchange differences arising on translation of foreign operations	-	-	-	-	-	619	-	-	-	619	(15)	604
Loss for the period	-	-	-	-	-	-	-	-	(37,935)	(37,935)	(855)	(38,790)
Total comprehensive income/(expense) for the period	-	-	-	-	-	619	-	-	(37,935)	(37,316)	(870)	(38,186)
Shares issued under share option scheme	6	570	-	-	-	-	(176)	-	-	400	-	400
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(98)	-	98	-	-	-
At 30 June 2016 (unaudited)	6,781	176,404*	10*	(23,782)*	1,729*	(453)*	10,277*	-*	15,629*	186,595	3,031	189,626

	Attributable to owners of the Company										Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Other Reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015 (audited)	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 (unaudited)	6,744	173,102*	10*	(23,782)*	1,729*	1,876*	11,825*	(155)*	94,531*	265,880	3,408	269,288

* These reserve accounts comprise the consolidated reserves of HK\$179,814,000 (30 June 2015: HK\$259,136,000) 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.
- The share option reserve related to share options granted to the directors and employees under the Company's share option scheme.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June

	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Operating activities		
Cash generated from/(used in) operations	8,704	(18,423)
Hong Kong profits tax refund/(paid)	4	(62)
Overseas taxes paid	–	(41)
Net cash generated from/(used in) operating activities	8,708	(18,526)
Cash flows from investing activities		
Interest received	105	84
Purchases of items of property, plant and equipment	(1,923)	(3,271)
Proceeds from disposal of property, plant and equipment	–	89,810
Net cash outflow on disposal of a subsidiary	–	(303)
Net cash (used in)/generated from investing activities	(1,818)	86,320
Cash flows from financing activities		
Repayment of bank loans	–	(24,479)
Decrease in pledged bank deposits	–	1,002
Proceeds from shares issued under share option scheme	400	–
Capital element of finance lease payables	(260)	(132)
Interest paid	(6)	(389)
Interest elements on finance lease rental payments	(43)	(18)
Net cash generated from/(used in) financing activities	91	(24,016)
Net increase in cash and cash equivalents	6,981	43,778
Cash and cash equivalents at beginning of period	82,069	59,703
Cash and cash equivalents at the end of period	89,050	103,481
Analysis of cash and cash equivalents		
Cash and bank balances	89,050	72,018
Non-pledged time deposits with original maturity of less than three months when acquired	–	31,463
	89,050	103,481

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

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 (the "Stock Exchange"), 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 25 August 2016.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of these 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. In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the 2015 annual financial statements.

These unaudited condensed consolidated financial statements contain selected explanatory notes which do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards. 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 2015 annual financial statements.

Notes to Condensed Consolidated Interim Financial Statements

2. BASIS OF PREPARATION *(continued)*

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial statements as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2015 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 23 March 2016.

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

The HKICPA has issued a number of amendments to HKFRS that are first effective for the current accounting period of the Group. None of those amendments are relevant to the Group's financial statements.

The HKICPA has issued a number of amendments and new standards which are not yet effective for the year ending 31 December 2016. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 16	Leases	1 January 2019

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

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

Notes to Condensed Consolidated Interim Financial Statements

4. OPERATING SEGMENT INFORMATION

The board of directors is the chief operating decision maker. The Group's principal activity is the retail of handbags, fashion accessories, embellishments and spa and wellness products. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the locations of the customers, and the non-current assets information is based on the locations of the property, plant and equipment and deposits, or the location of the operation to which the intangible assets relate.

	Hong Kong	Macau	Mainland China	Singapore	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2016					
Revenue from external customers	139,915	2,862	17,471	–	160,248
Non-current assets	19,342	43	58	–	19,443
Capital expenditure	7,963	–	–	–	7,963

	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

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 2015: Nil) and no information about major customers is presented accordingly.

Notes to Condensed Consolidated Interim Financial Statements

5. REVENUE, OTHER (LOSSES)/INCOME AND GAINS, NET

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

	Note	For the six months ended 30 June	
		2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue			
Sale of goods		160,248	208,796
Other (losses)/income and gains, net			
Bank interest income		105	84
Licensing income		–	59
Gain on disposal of property, plant and equipment		–	12,956
Gross rental income		1,699	373
Gain on disposal of a subsidiary		–	4,913
Forfeiture of deposit received		–	1,044
Impairment of available-for-sale investments		(2,600)	–
Store closure expenses	(a)	(10,638)	–
Others		386	2,560
		(11,048)	21,989
		149,200	230,785

Note:

- (a) The store closure expenses for the six months ended 30 June 2016 comprised losses on write off of leasehold improvements of HK\$4,496,000, write off of rental deposits of HK\$2,363,000 and write off of rental prepayment of HK\$3,779,000 for early termination of operating leases.

6. FINANCE COSTS

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on bank loans and overdrafts	6	389
Finance lease charges	43	18
	49	407

Notes to Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(a) Employee benefit expenses (excluding directors' remuneration)		
Pension scheme contributions	641	512
Salaries, wages and other benefits	17,854	16,667
Equity-settled share option expense	–	4,599
	18,495	21,778
(b) Other items		
Cost of inventories recognised as an expense	127,543	160,700
Write-back of provision for slow-moving inventories including in cost of inventories recognised as an expenses	(656)	(1,391)
Depreciation		
– owned assets	3,067	4,026
– assets under finance leases	416	420
Amortisation of intangible assets	282	–
Minimum lease payments under operating leases in respect of land and buildings (note)	21,770	29,853
Loss on write-off of property, plant and equipment	–	355
Loss on disposal of property, plant and equipment	–	25

Note: The minimum lease payments under operating leases in respect of land and buildings includes the reversal of certain accrued rental expenses of HK\$4,553,000 recognised in prior year.

Notes to Condensed Consolidated Interim Financial Statements

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 2016 (six months ended 30 June 2015: Nil). 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 2015: 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 2015: 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 2015: 17%).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$37,935,000 (six months ended 30 June 2015: HK\$6,689,000) and the weighted average of 677,541,000 ordinary shares (2015: 674,374,000 ordinary shares) in issue during the Period.

No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2016 and 2015 respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2015: 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 2016, the Group acquired items of property, plant and equipment at a total cost of HK\$7,963,000 (six months ended 30 June 2015: HK\$3,971,000).

During the six months ended 30 June 2015, property, plant and equipment with net book value of HK\$76,879,000 were disposed of by the Group, resulting in a net gain on disposal of HK\$12,931,000. No property, plant and equipment was disposed of by the Group during the six months ended 30 June 2016.

Notes to Condensed Consolidated Interim Financial Statements

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 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	3,136	9,007
1 to 2 months	29	32
2 to 3 months	173	8
Over 3 months	543	121
	3,881	9,168

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 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	83	173
1 to 2 months	–	517
2 to 3 months	–	30
Over 3 months	13	53
	96	773

Notes to Condensed Consolidated Interim Financial Statements

14. SHARE CAPITAL

Authorised:

2,000,000,000 ordinary shares of HK\$0.01 each

Issued and fully paid:

678,137,000 (31 December 2015: 677,487,000)
ordinary shares of HK\$0.01 each

30 June 2016	31 December 2015
(Unaudited) HK\$'000	(Audited) HK\$'000
20,000	20,000
6,781	6,775

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

	Number of shares in issue	Share capital HK\$'000
At 1 January 2016	677,487,000	6,775
Share options exercised	650,000	6
At 30 June 2016	678,137,000	6,781

15. COMMITMENTS

(a) Capital commitments

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

	2016	2015
	HK\$'000	HK\$'000
Contracted, but not provided for:		
Purchase of property, plant and equipment	323	–

Notes to Condensed Consolidated Interim Financial Statements

15. COMMITMENTS *(continued)*

(b) Operating lease commitments

The Group as lessee

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

At 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	37,543	42,376
In the second to fifth years, inclusive	15,946	55,679
	53,489	98,055

The Group as lessor

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

At 30 June 2016, the Group had total future minimum lease receivables under non-cancellable operating lease falling due as follows:

	30 June 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within one year	–	3,704
In the second to fifth years, inclusive	–	9,877
	–	13,581

Notes to Condensed Consolidated Interim Financial Statements

16. RELATED PARTY TRANSACTIONS

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

	Notes	For the six months ended 30 June	
		2016	2015
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental expenses paid to related companies	(a)	4,056	4,533
Purchases from a related company	(b)	12	586
Legal and professional expenses to a related company	(c)	23	144

Notes:

- (a) The Group has entered into lease agreements with certain related companies of which Mr. Yiu Kwan Tat ("Mr. Yiu") and Mr. Yiu Kwan Wai, Gary are also directors of these related companies. The rental expenses paid to these related companies were based on mutually agreed terms.
- (b) Purchases from a related company, in which Mr. Yiu has beneficial interest, were made on mutually agreed terms.
- (c) Legal and professional expenses to a related company, in which Mr. Tam B Ray, Billy, a non-executive director of the Company, is a partner, were made on mutually agreed terms.
- (ii) Compensation of key management personnel of the Group during the periods are as follows:

	For the six months ended 30 June	
	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employee benefits	5,516	4,200
Post-employment benefits	53	51
Equity-settled share option expenses	–	2,361
	5,569	6,612

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

	30 June	31 December
	2016	2015
	HK\$'000	HK\$'000
Within one year	8,112	8,112
In the second to fifth years, inclusive	4,056	8,112
	12,168	16,224

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 15.

Notes to Condensed Consolidated Interim Financial Statements

17. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial assets

	30 June 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Available-for-sales investments	–	2,600
Loans and receivables		
Trade receivables	3,881	9,168
Financial assets included in prepayments, deposits and other receivables	20,174	21,087
Cash and cash equivalents	89,050	82,069
	113,105	112,324
	113,105	114,924

Financial liabilities

	30 June 2016	31 December 2015
	(Unaudited) HK\$'000	(Audited) HK\$'000
Financial liabilities at amortised cost		
Trade payables	96	773
Financial liabilities included in accrued liabilities and other payables	15,826	18,679
Obligations under finance leases	6,248	860
	22,170	20,312

Notes to Condensed Consolidated Interim Financial Statements

18. 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 was completed on 29 May 2015.

19. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 August 2016.

Management Discussion and Analysis

MARKET OVERVIEW

Hong Kong was losing its competitiveness in the first half of 2016 due to the unfavourable domestic and international factors which put Hong Kong retailers in challenging conditions. Official statistics released by the Census and Statistics Department showed that, the value of total retail sales in the first half of 2016 decreased by 10.5% as compared to the corresponding period of 2015.

Several factors have contributed to this decline in retail sales. The primary reason is the unabated decrease in Mainland tourist arrivals to Hong Kong since March 2015.

On the other hand, the substantially strengthened tourist facilities and convenient travel policies offered by other countries have improved their attraction to Mainland tourists. In addition, the strong Hong Kong dollar and depreciating Renminbi have contributed further to the slowdown in Mainland visitors to Hong Kong while stimulating outbound travel by local consumers.

Under the restrictions placed on the frequency of visits by Shenzhen permanent residents, reducing from multiple-entry permits to one-visit-one-week permits upon renewal, have seriously impacted the flow of Mainland tourist arrivals as the majority of Mainland tourists are now day-trippers. As a result, the Mainland tourist same day visitor arrivals in Hong Kong dropped 13.0% during the Period. Meanwhile, structural changes in the Mainland China tourist mix towards tourists arriving from lower-tier cities in Mainland China with less spending power has impacted the average ticket size. The local social uncertainties also imposed negative factors on the overall Hong Kong retail markets.

BUSINESS REVIEW

During the Period, the performance of the Group was affected by the economic slowdown and the deteriorating luxury retail market. During the Period, the Group's total revenue decreased by approximately 23.3% to approximately HK\$160.2 million. The revenues generated in the markets of Hong Kong, Mainland China and Macau accounted for 87.3%, 10.9% and 1.8% respectively of the Group's revenue. The Group's gross profit at approximately HK\$32.7 million, which was decreased by 32.0% as compared to the same period last year. The net loss for the Period increased significantly by 470.0% to HK\$38.8 million due to the absence of one-off gain of approximately HK\$12.0 million on the disposal of a property as recognised in the corresponding year of 2015 and the loss arising from closure of certain shops of the Group in the PRC during the Period.

Hong Kong

During the Period, sales of the Group in Hong Kong dropped by 18.2% to approximately HK\$139.9 million. The revenue came from the 9 "Milan Station" retail stores, the 16 "THANN" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

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

Management Discussion and Analysis

In view of the downturn of retail backdrop, rental of prime location dropped since 2015, easing the rental cost pressure on the industry. Despite an expectation of continuous retail declination strengthening the bargaining power of retailers against landlords, the Group remained prudent on the store network expansion strategy. During the Period, there were three new luxury retail stores opened in Kwai Fong, Shatin and Tseung Kwan O respectively and two “THANN” new retail stores were opened in Mongkok and Kwai Fong respectively. As at 30 June 2016, the Group had a presence in Hong Kong with the store count of 25 (30 June 2015: 8). The Group will cautiously analyse the rental momentum when considering future new lease to optimize the operating efficiency of the Group in Hong Kong.

Mainland China

During the Period, the Group eliminated unprofitable stores as we rightsized our portfolio by closing two stores in Mainland China. As a result, the revenue decreased by 30.3% to approximately HK\$17.5 million as compared to the same period last year.

Macau

The gaming industry and tourism industry in Macau shrunk in recent years, which greatly bombarded the Group's business locally. The business performance of its points of sale in exclusive clubhouses was unsatisfactory. The Group's revenue from the Macau market sharply declined by 75.8% to approximately HK\$2.8 million.

FINANCIAL REVIEW

Revenue

During the Period, total revenue decreased to approximately HK\$160.2 million, representing a decrease of 23.3% as compared to approximately HK\$208.8 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 93.0% of the total revenue of the Group. The revenue generated from the sales of unused products decreased from approximately HK\$154.6 million recorded in the corresponding period last year, representing 74.0% of the total revenue of the Group, to approximately HK\$118.5 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 2016, the revenue generated from the Hong Kong market was approximately HK\$139.9 million, representing approximately 87.3% of the total revenue of the Group. Revenue generated from the Mainland China market decreased from approximately HK\$25.1 million during the corresponding period last year to approximately HK\$17.4 million during the Period. Revenue generated from the Macau market decreased from approximately HK\$11.8 million during the corresponding period last year to approximately HK\$2.9 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 2016 and 2015 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				
	2016		2015		Approximate percentage change in revenue %
	HK\$ million	Approximate percentage of total revenue %	HK\$ million	Approximate percentage of total revenue %	
By product categories (handbags and other products)					
Handbags	149.3	93.2	207.4	99.3	(28.0)
Other products	10.9	6.8	1.4	0.7	678.5
Total	160.2	100.0	208.8	100.0	(23.3)
By product categories (unused and second-hand products)					
Unused products	118.5	74.0	154.6	74.0	(23.3)
Second-hand products	41.7	26.0	54.2	26.0	(23.1)
Total	160.2	100.0	208.8	100.0	(23.3)
By price range of products					
Within HK\$10,000	35.5	22.2	35.3	16.9	0.6
HK\$10,001 – HK\$30,000	27.9	17.4	40.4	19.4	(30.9)
HK\$30,001 – HK\$50,000	8.3	5.2	14.8	7.1	(43.9)
Above HK\$50,000	88.5	55.2	118.3	56.6	(25.2)
Total	160.2	100.0	208.8	100.0	(23.3)
By geographical locations					
Hong Kong	139.9	87.3	171.0	81.9	(18.2)
The PRC	17.5	10.9	25.1	12.0	(30.3)
Macau	2.8	1.8	11.8	5.7	(76.3)
Singapore	–	–	0.9	0.4	(100.0)
Total	160.2	100.0	208.8	100.0	(23.3)

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2016, cost of sales of the Group was approximately HK\$127.5 million, decreased by 20.6% as compared to 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\$15.4 million to approximately HK\$32.7 million, with its gross profit margin decreased slightly by 2.6% to 20.4%. Write back of provision for slow-moving inventories included in the cost of sales for the six months ended 30 June 2016 amounted to approximately HK\$0.7 million.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 16.1%, 20.0% and 19.9%, respectively (six months ended 30 June 2015: Hong Kong, Mainland China, Macau and Singapore were 22.4%, 24.1%, 30.4% and 28.8%, respectively).

Inventory analysis

The Group's total inventories as at 30 June 2016 and 31 December 2015 were approximately HK\$77.6 million and HK\$115.0 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 2016 and 31 December 2015:

	As at 30 June 2016	As at 31 December 2015
	HK\$'000	HK\$'000
Aging of inventories (handbags products)		
0 to 90 days	17,059	33,122
91 to 180 days	13,643	23,770
181 days to 1 year	18,805	22,841
Over 1 year	25,284	32,682
Total	74,791	112,415

Management Discussion and Analysis

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2016 and 31 December 2015:

	As at 30 June 2016	As at 31 December 2015
	HK\$'000	HK\$'000
Aging of inventories (other products)		
0 to 45 days	2,189	751
46 to 90 days	142	895
91 days to 1 year	303	848
Over 1 year	225	147
Total	2,859	2,641

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 2016 and 31 December 2015:

	As at 30 June 2016	As at 31 December 2015
	HK\$'000	HK\$'000
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	7,169	20,597
91 to 180 days	6,298	12,567
181 days to 1 year	9,087	13,972
Over 1 year	7,005	10,849
Total	29,559	57,985

Other (losses)/income and gains

Other losses amounted to approximately HK\$11.0 million, significantly decreased by HK\$33.0 million as compared to other income and gains amounted to approximately HK\$22.0 million in the corresponding period last year. It was mainly attributable to the absence of the one-off gain on disposal of a property as recognised in the corresponding year of 2015 and the loss arising from closure of certain shops of the Group in the PRC during the Period.

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 2016, selling expenses of the Group were approximately HK\$36.2 million, representing 22.6% of its revenue (six months ended 30 June 2015: approximately HK\$49.3 million, representing 23.6% of revenue). Selling expenses continued to decline during the Period, mainly due to decrease in rental expenses for the closure of certain retail shops and commission paid to an independent third party who runs 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 2016 amounted to approximately HK\$24.1 million, representing approximately 15.0% of the revenue, slightly decrease by approximately HK\$3.0 million as compared to the corresponding period last year. The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank overdrafts and borrowings and finance leases. Finance costs decreased from approximately HK\$407,000 in the first half of 2015 to approximately HK\$49,000 in the Period.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the six months ended 30 June 2016 was approximately HK\$37.9 million, representing an increase of 465.7% from approximately HK\$6.7 million for the period ended 30 June 2015. Loss per share attributable to the owners of the Company was approximately HK5.6 cents for the six months ended 30 June 2016, as compared to approximately HK1.0 cent for the six months ended 30 June 2015.

Employees and remuneration policy

As at 30 June 2016, the Group had a total of 139 employees (31 December 2015: 143 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.

Management Discussion and Analysis

Liquidity and financial resources

As at 30 June 2016 and 31 December 2015, the Group did not have any bank borrowing.

As at 30 June 2016, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$89.1 million, HK\$24.3 million and HK\$186.6 million respectively (31 December 2015: approximately HK\$82.1 million, HK\$27.0 million and HK\$223.5 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2016 were approximately 2.9%, 10.0 and 5.8 respectively (31 December 2015: 0.3%, 10.6 and 5.1 respectively). The Group's gearing ratio increased and quick ratio rose in the six months ended 30 June 2016 mainly due to the 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 the 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 2016 and 31 December 2015, the Group had no assets and bank deposits were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, Renminbi ("RMB") and United States ("US") 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 2016, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitments on property, plant and equipment was HK\$0.3 million as at 30 June 2016 (31 December 2015: Nil).

Management Discussion and Analysis

Exercise of Share Options

On 15 June 2016, a total of 650,000 share options were exercised by a grantee of the Company to subscribe for 650,000 ordinary shares of HK\$0.01 each under the share option scheme of the Company at an exercise price of HK\$0.616 per share and the shares were issued on 16 June 2016. The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$1.03 per share.

Material acquisition and disposal of subsidiaries

There are no material acquisition and disposal of subsidiaries and associated companies during the Period.

OUTLOOK

The rest of the year will be challenging because of the economic uncertainty, social and political issues and intensive competition, the retail market in Hong Kong remains stagnant. The recent depreciation of Renminbi has put pressure on the purchasing power of the Chinese consumers.

Hong Kong and Macau continue to experience a decrease in the number of visiting tourists, with a negative year-on-year growth in visitors showing signs of entrenchment. In particular, as being affected by the one-visit-one-week policy, the number of Mainland visitor arrivals in Hong Kong is lesser than expected, while they are still active around the globe, have been increasingly turning to other overseas destinations for holiday and shopping. In addition, their consumption becomes prudent because of strong Hong Kong dollars. Given the depreciation of Renminbi and other currencies against the Hong Kong dollar, tourism and retails sector will continue to face headwinds in the second half of 2016, putting pressure on the Group's average ticket size and total number of transactions.

In order to implement effective cost controls, we shall continue our policy of store consolidation with aggressive rental cuts targeted at tourist stores or through complete closures. We shall reposition our stores more in the residential areas with better growth prospects and returns, as well as locating them in the New Territories districts. We shall optimise our store network to maximise store profitability, and we shall simplify and centralise workflows at store level to increase productivity and reduce costs. In terms of stock management, we shall reduce inventories more aggressively and clear slow moving stocks to better display productive goods.

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

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 2016, 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			Approximate percentage of total number of issued shares	
	Personal Interest	Corporate Interest	Family Interest		
Mr. Yiu Kwan Tat	–	88,100,000 <i>(Note)</i>	–	88,100,000	12.99%

Note: These 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 these 88,100,000 shares held by Perfect One Enterprises Limited.

Long positions in share options of the Company

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

Save as disclosed above, as at 30 June 2016, none of the Directors or the 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 2016 are shown below:

Name or category of participant	Number of share options					At 30 June 2016	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2016	Granted during the period	Exercised during the period	Expired during the period	Lapsed during the period				
<i>(Note)</i>									
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	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 Director									
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
	22,680,000	-	-	-	-	22,680,000			
Other employees									
In aggregate	2,500,000	-	-	-	(200,000)	2,300,000	13-12-11	13-12-11 to 12-12-16	1.384
	7,396,000	-	(650,000)	-	-	6,746,000	11-7-14	11-7-15 to 10-7-19	0.616
	32,576,000	-	(650,000)	-	(200,000)	31,726,000			

Note: The weighted average closing price of the shares immediately before the date on which the share options were exercised was HK\$1.03.

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.

At the extraordinary general meeting of the Company held on 5 June 2015, the scheme mandate limit for the Scheme was refreshed to allow the Company to issue a maximum of 67,437,400 share options under the Scheme, representing approximately 9.94% of the total number of issued shares of the Company as at 30 June 2016 (i.e. 678,137,000 shares).

During the Period, (i) a total of 650,000 share options under the Scheme were exercised; and (ii) 200,000 share options under the Scheme were lapsed.

As at the date of this interim report, the total number of shares available for issue under the Scheme is 99,163,400, which represents approximately 14.62% of the total number of issued shares of the Company as at 25 August 2016 (i.e. 678,137,000 shares).

Additional Information

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

As at 30 June 2016, 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 total number of issued shares
Perfect One Enterprises Limited	Beneficial owner	88,100,000 <i>(Note)</i>	12.99%

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 these 88,100,000 shares held by Perfect One Enterprises Limited.

Save as disclosed above, as at 30 June 2016, 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 2016, 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\$41.4 million.

Additional Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, the Company had complied with all applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules save as disclosed below.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Yiu Kwan Tat, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 6 June 2016 due to his other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of 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 2016.

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. Chan Chi Hung and Mr. Tou Kin Chuen. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2016 and discussed with the management of the Company on auditing, risk management, 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. During the six months ended 30 June 2016, the Remuneration Committee comprises four members, a majority of whom are independent non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. So, Stephen Hon Cheung, Mr. Chan Chi Hung 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. During the six months ended 30 June 2016, 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. Chan Chi Hung and Mr. Tou Kin Chuen.

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

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

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

Additional Information

UPDATED INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in information of Directors since the date of the Company's 2015 annual report are as follow:

Name of Directors	Details of change
Mr. Hu Bo	Appointed as an Executive Director on 6 June 2016.
Mr. Chau Shing Yip Colin	Appointed as an Independent Non-executive Director on 6 June 2016. Mr. Chau appointed as an executive director of WL Capital Management Limited and resigned as a consultant of Wealth Link Securities Limited in August 2016.

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

Hong Kong, 25 August 2016



2016

INTERIM REPORT 中期報告

米蘭站控股有限公司

MILAN STATION HOLDINGS LIMITED

(Incorporated in the Cayman Islands with liability)

Stock Code: 1150

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