Interim Report 2018

米 蘭 站 控 股 有 限 公 司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Stock Code: 1150

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Bo
Ms. Cao Huijuan

Independent Non-executive Directors

Mr. Chan Chi Hung
Mr. Tou Kin Chuen
Mr. Choi Kam Yan, Simon

AUDIT COMMITTEE

Mr. Tou Kin Chuen
(Chairman of audit committee)
Mr. Chan Chi Hung
Mr. Choi Kam Yan, Simon

REMUNERATION COMMITTEE

Mr. Tou Kin Chuen
(Chairman of remuneration committee)
Mr. Chan Chi Hung
Mr. Hu Bo

NOMINATION COMMITTEE

Mr. Hu Bo
(Chairman of nomination committee)
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPANY SECRETARY

Mr. Yung Kai Wing

AUTHORISED REPRESENTATIVES

Mr. Hu Bo
Mr. Yung Kai Wing

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

Flat B, 3/F, Wah Shing
Industrial Building,
18 Cheung Shun Street, Lai Chi Kok

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
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
China Construction Bank (Asia) Corporation 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 2018 (the "Period") together with the comparative figures for the corresponding period in 2017 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	
		2018	2017
		(Unaudited)	(Unaudited)
		HK$'000	HK$'000
Revenue	5	**141,309**	155,041
Cost of sales		**(110,952)**	(118,139)
Gross profit		**30,357**	36,902
Other (losses)/income and gains, net	5	**(1,986)**	(4,589)
Selling expenses		**(16,715)**	(35,442)
Administrative and other operating expenses		**(26,785)**	(28,913)
Finance costs	6	**(161)**	(533)
Loss before tax	7	**(15,290)**	(32,575)
Income tax	8	**–**	6
Loss for the period		**(15,290)**	(32,569)
Attributable to:			
Owners of the Company		**(15,200)**	(31,680)
Non-controlling interests		**(90)**	(889)
		(15,290)	(32,569)
Loss per share			
– Basic and diluted	9	**HK(1.9 cents)**	HK(3.9 cents)

The notes on pages 9 to 24 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the period	**(15,290)**	(32,569)
Other comprehensive income for the period:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**–**	450
	–	450
Total comprehensive expense for the period	**(15,290)**	(32,119)
Attributable to:		
Owners of the Company	**(15,200)**	(31,309)
Non-controlling interests	**(90)**	(810)
	(15,290)	(32,119)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment	11	**12,236**	10,802
Intangible assets		**3,355**	3,638
Available-for-sale investments		**–**	3,582
Deposits		**1,013**	2,378
Total non-current assets		**16,604**	20,400
Current assets			
Inventories		**46,718**	46,729
Trade receivables	12	**4,000**	5,930
Loan receivables	13	**–**	4,729
Prepayments, deposits and other receivables		**20,782**	25,311
Financial asset at fair value through profit and loss		**14,907**	16,412
Tax recoverable		**393**	291
Cash and cash equivalents		**24,694**	30,348
Total current assets		**111,494**	129,750
Current liabilities			
Trade and other payables	14	**14,266**	25,166
Obligations under finance leases		**2,258**	1,312
Tax payable		**1,150**	1,150
Total current liabilities		**17,674**	27,628
Net current assets		**93,820**	102,122
Total assets less current liabilities		**110,424**	122,522
Non-current liabilities			
Provisions		**–**	90
Obligations under finance leases		**5,134**	2,118
Deferred tax liabilities		**444**	444
Total non-current liabilities		**5,578**	2,652
NET ASSETS		**104,846**	119,870
CAPITAL AND RESERVES			
Issued capital	15	**8,136**	8,136
Reserves		**97,095**	112,029
Equity attributable to owners of the Company		**105,231**	120,165
Non-controlling interests		**(385)**	(295)
TOTAL EQUITY		**104,846**	119,870

The notes on pages 9 to 24 form part of this interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Investment revaluation reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (note a)	HK$'000 (note b)	HK$'000 (note c)	HK$'000	HK$'000	HK$'000 (note d)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2018 (audited)	8,136	218,508	10	(23,782)	1,729	–	(123)	10,047	(94,360)	120,165	(295)	119,870
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	266	–	–	266	–	266
Loss for the period	–	–	–	–	–	–	–	–	(15,200)	(15,200)	(90)	(15,290)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	266	–	(15,200)	(14,934)	(90)	(15,024)
Fair value loss on available-for-sale investment	–	–	–	–	–	–	–	–	–	–	–	–
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	–	–	–	–	–	–
At 30 June 2018 (unaudited)	8,136	218,508	10	(23,782)	1,729	–	143	10,047	(109,560)	105,231	(385)	104,846

	Attributable to owners of the Company											
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Investment revaluation reserve	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000 (note a)	HK$'000 (note b)	HK$'000 (note c)	HK$'000	HK$'000	HK$'000 (note d)	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017 (audited)	8,136	218,508	10	(23,782)	1,729	65,305	(1,225)	6,837	(15,816)	259,702	2,799	262,501
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	371	–	–	371	79	450
Loss for the period	–	–	–	–	–	–	–	–	(31,680)	(31,680)	(889)	(32,569)
Total comprehensive income/(expense) for the period	–	–	–	–	–	–	371	–	(31,680)	(31,309)	(810)	(32,119)
Fair value loss on available-for-sale investment	–	–	–	–	–	(65,305)	–	–	–	(65,305)	–	(65,305)
Transfer of share option reserve upon the lapse of share options	–	–	–	–	–	–	–	(285)	285	–	–	–
At 30 June 2017 (unaudited)	8,136	218,508	10	(23,782)	1,729	–	(854)	6,552	(47,211)	163,088	1,989	165,077

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.

(d) 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	**(7,703)**	21,296
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	**3,472**	(27,943)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	**(1,689)**	(1,257)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(5,920)**	(7,904)
Cash and cash equivalents at beginning of the period	**30,348**	50,797
Effect of foreign exchange rates, net	**266**	450
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**24,694**	43,343
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**24,694**	43,343

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 Flat B, 3/F., Wah Shing Industrial Building, 18 Cheung Shun Street, Cheung Sha Wan, 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

Statement of compliance

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, 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.

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

Application of new and amendments to HKFRSs *(continued)*

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- Retail of handbags, fashion accessories and embellishments and spa and wellness products

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Difference at the date of initial application, if any, is recognised in the opening accumulated losses and comparative information has not been restated.

Key changes in accounting policies resulting from application of HKFRS 15
HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

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

Application of new and amendments to HKFRSs *(continued)*

(a) Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" *(continued)*

Key changes in accounting policies resulting from application of HKFRS 15 (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The revenue of the Group is recognised at a point in time. The application of HKFRS 15 does not have significant impact on the amounts reported in the condensed consolidated financial statements as at 30 June 2018.

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

Application of new and amendments to HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and loan receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are made based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

Application of new and amendments to HKFRSs *(continued)*

(b) *Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"* *(continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

Application of new and amendments to HKFRSs *(continued)*

(b) *Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments"* *(continued)*

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

The following adjustments were made to the consolidated statement of financial position at the date of initial application, 1 January 2018. The effect of adopting HKFRS 9 is, as follows:

	Under HKAS 39	Reclassification	Re-measurement	Under HKFRS 9
Financial assets – at fair value through profit and loss	–	3,582,000	–	3,582,000
Available-for-sale investments	3,582,000	(3,582,000)	–	–

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

Application of new and amendments to HKFRSs *(continued)*

(b) Impacts and changes in accounting policies of application of HKFRS 9 "Financial Instruments" *(continued)*

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the current period, the Group has applied HKFRS 9 simplified approach to measure ECL using lifetime ECL for trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowance for other financial assets at amortised cost mainly comprise of loan receivables, pledged bank deposits, bank trust account balances and bank balances, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised in the condensed consolidated financial statements.

New and revised HKFRS in issue but not yet effect

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021

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 segment 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 2018					
Revenue from external customers	**139,496**	**1,813**	**–**	**–**	**141,309**
Non-current assets	**15,591**	**–**	**–**	**–**	**15,591**
Capital expenditure	**5,471**	**–**	**–**	**–**	**5,471**

	Hong Kong	Macau	Mainland China	Singapore	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the six months ended 30 June 2017					
Revenue from external customers	142,097	12,273	671	–	155,041
Non-current assets	15,012	29	18	–	15,059
Capital expenditure	1,078	–	–	–	1,078

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 2017: Nil) and no information about major customers is presented accordingly.

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:

	Notes	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Revenue			
Sale of goods		141,309	155,041
Other (losses)/income and gains, net			
Bank interest income		4	4
Interest income on loan receivable		63	624
Gain on other financial assets		–	12,168
Change in fair value of financial assets at fair value through profit or loss		(4,275)	(17,778)
Gain on disposal of property, plant and equipment		1,980	–
Interest income from investments in convertible bonds		–	334
Others		242	59
		(1,986)	(4,589)
		139,323	150,452

6. FINANCE COSTS

	For the six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Interest on bank loans and overdrafts	–	1
Finance lease charges	144	135
Interest expenses	17	397
	161	533

7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(a) Employee benefit expenses (excluding directors' remuneration)		
Pension scheme contributions	**492**	615
Salaries, wages and other benefits	**12,933**	14,755
	13,425	15,370
(b) Other items		
Cost of inventories recognised as an expense	**110,952**	118,139
Depreciation		
– owned assets	**1,561**	2,165
– assets under finance leases	**1,006**	1,057
Amortisation of intangible assets	**282**	282
Minimum lease payments under operating leases in respect of land and buildings	**15,015**	23,320
Loss on write-off of property, plant and equipment	**–**	109

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 2018 (six months ended 30 June 2017: 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 2017: 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 2017: 12%) on the estimated taxable profits.

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$15,200,000 (six months ended 30 June 2017: HK$31,680,000) and the weighted average of 813,633,000 ordinary shares (2017: 813,633,000 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 2018 and 2017 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 2018: 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 2018, the Group acquired items of property, plant and equipment at a total cost of HK$5,471,000 (six months ended 30 June 2017: HK$1,078,000).

During the six months ended 30 June 2018, the Group disposed items of property, plant and equipment at a carrying amount of HK$1,470,000 (six months ended 30 June 2017: Nil).

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 2018	31 December 2017
	(Unaudited) HK$'000	(Audited) HK$'000
Within 1 month	**2,988**	4,830
1 to 2 months	**49**	91
2 to 3 months	**–**	6
Over 3 months	**963**	1,003
	4,000	5,930

13. LOAN RECEIVABLES

An aged analysis of the loan receivables as at the end of the reporting period, based on the terms of loan agreements, is as follows:

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within 3 months	**–**	1,226
3 to 6 months	**–**	7
Over 6 months	**–**	3,496
	–	4,729

14. 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 2018	31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within 1 month	**–**	446
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**18**	18
	18	464

15. SHARE CAPITAL

	30 June 2018	31 December 2017
	(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:		
813,633,000 (31 December 2016: 813,633,000) ordinary shares of HK$0.01 each	8,136	8,136

16. COMMITMENTS

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 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018	31 December 2017
	(Unaudited) HK$'000	(Audited) HK$'000
Within one year	14,286	16,429
In the second to fifth years, inclusive	8,472	12,719
	22,758	29,418

17. 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 2018	2017
		(Unaudited) **HK$'000**	(Unaudited) HK$'000
Rental expenses paid to related companies	(a)	**3,300**	3,426
Purchases from a related company	(b)	**–**	12
Legal and professional expenses to a related company	(c)	**–**	11

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 who resigned as directors of the Group on 13 April 2017 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 former 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 2018	2017
	(Unaudited) **HK$'000**	(Unaudited) HK$'000
Short-term employee benefits	**3,218**	5,860
Post-employment benefits	**41**	55
	3,259	5,915

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

	30 June 2018	31 December 2017
	HK$'000	HK$'000
Within one year	**–**	–
In the second to fifth years, inclusive	**–**	–
	–	–

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.

18. 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 2018	31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Financial assets at fair value through profit or loss	**14,907**	16,412
Available-for-sales investments	**–**	3,582
Loans and receivables		
Trade receivables	**4,000**	5,930
Loan receivables	**–**	4,729
Financial assets included in prepayments, deposits and other receivables	**13,124**	19,616
Cash and cash equivalents	**24,694**	30,348
	41,818	60,623
	56,725	80,617

Financial liabilities

	30 June 2018	31 December 2017
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Financial liabilities at amortised cost		
Trade payables	**18**	464
Financial liabilities included in accrued liabilities and other payables	**13,642**	24,656
Obligations under finance leases	**7,392**	3,430
	21,052	28,550

19. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

20. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2018.

Management Discussion and Analysis

MARKET OVERVIEW

The economy in Hong Kong has been in the progress of recovery, towards a stabilizing growth in the first half year of 2018. The Government of the HKSAR released a press in relation to the economic situation in Hong Kong, recording a growth of 4.7% over a year earlier in the first quarter of 2018, sustaining the full-fledged upturn in 2017. A notable real GDP growth of 2.2% was achieved in the first quarter in 2018.

The growth in the economy has been supported by both the strengthened domestic demand and the brightening global economic environment. The favorable labour market conditions and positive business sentiment enhance the domestic spending power, resulting in a significant increase of 13.4% in the value of total retail sales for the first half year of 2018 over the same period in 2017. Also, the private consumption expenditure grew by 8.6% year-on-year in real terms in the first quarter, reflecting optimistic consumer sentiment.

In addition, the Renminbi maintained an average appreciation throughout the first half year of 2018, which continues to attract the mainland Chinese tourist to visit Hong Kong and bring positive effect to the economy in Hong Kong. According to the Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong in the first half year of 2018 grew by 13.4% as compared with the same period last year, of which same-day visitors and overnight visitors increased by 16.2% and 9.2% respectively.

However, the Sino-US trade dispute between the People's Republic of China and the United States of America continues to heat up, which may cause certain negative impacts to the economy. The private consumption sector may turn to be more prudent and corporations may have to be more careful in their expanding business plans.

BUSINESS REVIEW

During the Period, the performance of the Group was affected by the deteriorating luxury retail market. During the Period, the Group's total revenue decreased by approximately 8.9% to approximately HK$141.3 million. The revenues generated in the markets of Hong Kong and Macau accounted for 98.7% and 1.3% respectively of the Group's revenue. The Group's gross profit at approximately HK$30.4 million, which was decreased by 17.7% as compared to the same period last year. The net loss for the Period decreased by 53.1% to HK$15.3 million due to the effective control on costing and decrease in selling expense.

Hong Kong

During the Period, sales of the Group in Hong Kong decreased by 1.8% to approximately HK$139.5 million. The revenue came from the 7 "Milan Station" retail stores, the 6 "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. In order to strengthen the Group's leading position in the luxury handbags trading industry, the Group continued to devote 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.

Management Discussion and Analysis

During the period, the Group remained prudent on the store network expansion strategy and adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. During the year, the Group continued to devote 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.

As at 30 June 2018, the Group held the listed securities in Hong Kong with the fair value of HK$14.9 million under financial assets at fair value through profit or loss. The Group recognised an unrealised loss on financial assets at fair value through profit or loss of approximately HK$4.3 million. In light of the recent volatile financial market in Hong Kong, the Group will closely monitor the performance of this business and keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Mainland China

In 2017, the Group eliminated unprofitable stores as we rightsized our portfolio by closing all stores in Mainland China. As a results, no revenue generated during the period.

Macau

As the consumption behavior of the customers turns to be more prudent, the business performance of its points of sale in exclusive clubhouses performed unsatisfactorily during the period. The Group's revenue from the Macau market decreased by 85.4% to approximately HK$1.8 million. The Group will continue to adjust the product mix of point of sale in exclusive clubhouses.

FINANCIAL REVIEW

Revenue

During the Period, total revenue decreased to approximately HK$141.3 million, representing a decrease of 8.9% as compared to approximately HK$155 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 91.3% of the total revenue of the Group. The revenue generated from the sales of unused products increased from approximately HK$62.7 million recorded in the corresponding period last year, representing 40.5% of the total revenue of the Group, to approximately HK$101.8 million during the Period, representing 72% 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 2018, the revenue generated from the Hong Kong market was approximately HK$139.5 million, representing approximately 98.7% of the total revenue of the Group. No revenue was generated from the Mainland China market as the Group eliminated all unprofitable stores in Mainland China. Revenue generated from the Macau market decreased from approximately HK$12.3 million during the corresponding period last year to approximately HK$1.8 million during the Period.

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2018 and 2017 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				
	2018		2017		
	HK$ million	Approximate percentage of total revenue %	HK$ million	Approximate percentage of total revenue %	Approximate percentage change in revenue %
By product categories (handbags and other products)					
Handbags	129.0	91.3	135.8	87.6	(5.0)
Other products	12.3	8.7	19.2	12.4	(35.9)
Total	141.3	100.0	155.0	100.0	(8.9)
By product categories (unused and second-hand products)					
Unused products	101.8	72.0	62.7	40.5	62.3
Second-hand products	39.5	28.0	92.3	59.5	(57.2)
Total	141.3	100.0	155.0	100.0	(8.9)
By price range of products					
Within HK$10,000	28.2	20.0	26.6	17.2	6.0
HK$10,001 – HK$30,000	24.9	17.6	42.2	27.2	(41.0)
HK$30,001 – HK$50,000	10.9	7.7	11.3	7.3	(3.5)
Above HK$50,000	77.3	54.7	74.9	48.3	3.2
Total	141.3	100.0	155.0	100.0	(8.9)
By geographical locations					
Hong Kong	139.5	98.7	142.1	91.7	(1.8)
The PRC	–	–	0.6	0.4	(100.0)
Macau	1.8	1.3	12.3	7.9	(85.4)
Singapore	–	–	–	–	–
Total	141.3	100.0	155.0	100.0	(8.9)

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2018, cost of sales of the Group was approximately HK$111 million, decreased by 6.1% 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$6.5 million to approximately HK$30.4 million, with its gross profit margin decreased slightly by 2.3% to 21.5%.

Inventory analysis

The Group's total inventories as at 30 June 2018 and 31 December 2017 were approximately HK$46.7 million and HK$46.7 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 2018 and 31 December 2017:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	HK$'000
Aging of inventories (handbags products)		
0 to 90 days	22,488	18,478
91 to 180 days	4,307	7,847
181 days to 1 year	7,027	7,969
Over 1 year	10,721	10,563
Total	44,543	44,857

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2018 and 31 December 2017:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	HK$'000
Aging of inventories (other products)		
0 to 45 days	**892**	256
46 to 90 days	**417**	731
91 days to 1 year	**394**	742
Over 1 year	**472**	143
Total	**2,175**	1,872

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 2018 and 31 December 2017:

	As at 30 June 2018	As at 31 December 2017
	HK$'000	HK$'000
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**14,515**	11,057
91 to 180 days	**1,349**	3,667
181 days to 1 year	**3,626**	2,343
Over 1 year	**2,227**	2,553
Total	**21,717**	19,620

Other (losses)/income and gains

Other losses amounted to approximately HK$2.0 million, decreased by HK$2.6 million as compared to other losses amounted to approximately HK$4.6 million in the corresponding period last year. The decrease was mainly attributable to the decrease in change on fair value of financial asset at fair value through profit and loss.

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 2018, selling expenses of the Group were approximately HK$16.7 million, representing 11.8% of its revenue (six months ended 30 June 2017: approximately HK$35.4 million, representing 22.8% of revenue). Selling expenses continued to decline during the Period, mainly due to decrease in rental expenses by reposition of stores.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2018 amounted to approximately HK$26.8 million, representing approximately 19.0% of the revenue, decreased by approximately HK$2.1 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$0.5 million to approximately HK$0.2 million 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 2018 was approximately HK$15.2 million, representing a decrease of 52% from approximately HK$31.7 million for the period ended 30 June 2017. Loss per share attributable to the owners of the Company was approximately HK1.9 cents for the six months ended 30 June 2018, as compared to approximately HK3.9 cent for the six months ended 30 June 2017.

Employees and remuneration policy

As at 30 June 2018, the Group had a total of 72 employees (31 December 2017: 94 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 2018 and 31 December 2017, the Group did not have any bank borrowing.

As at 30 June 2018, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$24.7 million, HK$23.3 million and HK$105.2 million respectively (31 December 2017: approximately HK$30.3 million, HK$30.3 million and HK$120.2 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2018 were approximately 7.1%, 6.3 and 3.7 respectively (31 December 2017: 2.9%, 4.7 and 3.0 respectively).

Notes:

1. Gearing ratio is calculated based on the borrowing and obligations under a finance lease divided by the total equity 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 2018 and 31 December 2017, 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 2018, the Group did not have any significant contingent liabilities.

Capital commitments

The Group do not have any capital commitments on property, plant and equipment as at 30 June 2018 and 31 December 2017.

Significant Investments

The Group held significant investments under financial assets at fair value through profit or loss and available-for-sales investment as below:

Company	Stock code	As at 1 January 2018	Loss on disposal	Fair value gain/(loss)	As at 31 December 2018	Percentage of shareholding	Approximate percentage to the total assets
		HK$'000	HK$'000	HK$'000	HK$'000	(approximately)	
China e-Wallet Payment Group Limited	802	15,600	–	(4,000)	11,600	1.46%	9.1%
Others		4,394	–	(275)	3,307		2.6%
		19,994	–	(4,275)	14,907		

Except the significant investments disclosed above, there was no investment held by the Group of which the value was more than 5% of the total assets of the Group.

OUTLOOK

With the Group's growing performance and positive economy trend in the first half year of 2018, the Group is optimistic about its business performance in the second half year of 2018.

The retail market in Hong Kong is expected to be sound and strong in the coming half year, with regards to the uplifting domestic demand and release of the cross-border conflicts. According to the salient features of economic performance released by the Government, there are several positive factors to the Hong Kong retail market in 2018. The domestic demand is expected to be robust, regarding the favorable labor market and upbeat economic sentiment. The Hong Kong retail market may benefit from the persistent growing trend in the economy.

With the upcoming open of Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link and Road Initiative, Hong Kong, being part of the member in the Guangdong-Hong Kong-Macao Bay Area, is expected to benefit significantly by the potential tourists brought by the Bay Area scheme. The Group believes these upgraded transport links will further enhance the global competitiveness of Hong Kong and Macau. Such arrangements by the Chinese Government will continue to bring positive impacts to the retail market to Hong Kong.

Although the global tension raised by the Sino-US trade dispute continues, the management is of the view that the Group may not be adversely affected, mainly because the targeted tariffs list does not contain those products promoted by the Group. The management will continue to monitor the effects from the potential global issues and local consumers' behavior in order to strength our core business and seek for better growth prospects and returns.

The management believes, with the tremendous efforts by all our staff, the Group will strengthen our competitiveness overcome the challenges in the coming future and continue our growth with the diverting business model.

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 2018, none of the Directors and the chief executive of the Company had any 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 would fall to be disclosed 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.

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 2018 are shown below:

	Number of share options									
Name or category of participants	At 1 January 2018	Granted during the period	Exercised during the period *(Note)*	Expired during the period	Reclassified during the period	Lapsed during the period	At 30 June 2018	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 (resigned on 13 April 2017)	6,740,000	–	–	–	–	–	6,740,000	11-7-14	11-7-15 to 10-7-19	0.616
	6,740,000	–	–	–	–	–	6,740,000			
Other employees										
In aggregate	6,745,000	–	–	–	–	–	6,745,000	11-7-14	11-7-15 to 10-7-19	0.616
	67,420,000	–	–	–	–	–	67,420,000	27-7-17	27-7-17 to 26-7-22	0.175
	80,905,000	–	–	–	–	–	80,905,000			

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., 10 July 2014 and 27 July 2017, were HK$0.61 and HK$0.175 per share respectively.

During the Period, (i) no share options under the Scheme were exercised; and (ii) no share options under the Scheme were lapsed.

As at the date of this interim report, a total of 67,420,000 shares options were granted under HK$0.175 per share and the total number of shares available for issue under the Scheme is 80,905,000, which represents approximately 9.9% of the total number of issued shares of the Company as at 30 August 2018 (i.e. 813,633,000 shares).

Additional Information

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

As at 30 June 2018, 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 *(Note)*	10.83%
Chen Huaijun	Beneficial owner	50,000,000	6.15%

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 2018, 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 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$9.8 million.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2018, 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.

In respect of the code provision A.6.7 of the CG Code, independent non-executive Directors should attend the general meetings of the Company. One of the independent non-executive Director was unable to attend the annual general meeting of the Company held on 6 June 2018 due to other business engagement.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the period, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future.

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 2018.

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. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2018 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 2018, the Remuneration Committee comprises three members, a majority of whom are independent non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Hu Bo. 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 2018, the Nomination Committee comprises three members, a majority of whom are independent non-executive Directors, namely, Mr. Hu Bo (chairman), Mr. Chan Chi Hung and Mr. Tou Kin Chuen.

Additional Information

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems 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, engaged an independent internal control review advisor (the "Internal Control Advisor"), conducted reviews of the effectiveness of the internal control system of the Group covering the Group's corporate governance, internal control, financial, operational (including information security), as well as risk management function and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board ensures the internal controls are in place and functioning properly as intended. The Board also considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

In response to the risk, the management shall implement proper policies and procedures to review the effectiveness of risk management and internal control and remedy any defects of internal control, including conduct evaluation on a regular basis to keep abreast of the related information in a timely manner so as to facilitate the Audit Committee and the Board to evaluate the effectiveness of control and risk management of the Group.

For the period ended 30 June 2018, the Board and Audit committee have reviewed and confirmed the effectiveness of the risk management and internal control systems.

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 under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

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

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

By order of the Board
Milan Station Holdings Limited
Hu Bo
Executive Director

Hong Kong, 30 August 2018

米蘭站 EXIT Milan Station ®

Interim Report 2018

米 蘭 站 控 股 有 限 公 司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

Stock Code: 1150

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