

INTERIM REPORT

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

(Incorporated in Cayman Islands with limited liability)

Stock Code: 1150

中期報告



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Cao Huijuan
Mr. Hu Bo

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
Cheung Sha Wan,
Kowloon, Hong Kong

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

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 2019 (the “Period”) together with the comparative figures for the corresponding period in 2018 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	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	5	136,910	141,309
Cost of sales		(109,564)	(110,952)
Gross profit		27,346	30,357
Other (losses)/income and gains, net	5	(1,340)	(1,986)
Selling expenses		(11,252)	(16,715)
Administrative and other operating expenses		(22,605)	(26,785)
Finance costs	6	(986)	(161)
Loss before tax	7	(8,837)	(15,290)
Income tax	8	40	–
Loss for the period		(8,797)	(15,290)
Attributable to:			
Owners of the Company		(8,743)	(15,200)
Non-controlling interests		(54)	(90)
		(8,797)	(15,290)
Loss per share			
– Basic and diluted	9	HK(1.1 cents)	HK(1.9 cents)

The notes on pages 9 to 17 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(8,797)	(15,290)
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	–	–
	–	–
Total comprehensive expense for the period	(8,797)	(15,290)
Attributable to:		
Owners of the Company	(8,743)	(15,200)
Non-controlling interests	(54)	(90)
	(8,797)	(15,290)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2019 (Unaudited) HK\$'000	31 December 2018 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	6,859	9,115
Intangible assets		2,790	3,073
Right-of-use assets		18,584	–
Deposits		489	3,368
Total non-current assets		28,722	15,556
Current assets			
Inventories		42,930	40,532
Trade receivables	12	1,709	3,715
Loan receivables	13	11,392	8,392
Prepayments, deposits and other receivables		9,516	9,872
Financial asset at fair value through profit and loss		11,691	13,995
Tax recoverable		82	82
Cash and cash equivalents		14,328	22,554
Total current assets		91,648	99,142
Current liabilities			
Trade and other payables	14	19,361	27,401
Lease liabilities		18,623	2,286
Tax payable		409	409
Total current liabilities		38,393	30,096
Net current assets		53,255	69,046
Total assets less current liabilities		81,977	84,602
Non-current liabilities			
Provisions		13	102
Lease liabilities		5,889	3,976
Deferred tax liabilities		173	220
Total non-current liabilities		6,075	4,298
NET ASSETS		75,902	80,304
CAPITAL AND RESERVES			
Issued capital		8,136	8,136
Reserves	15	68,063	72,411
Equity attributable to owners of the Company		76,199	80,547
Non-controlling interests		(297)	(243)
TOTAL EQUITY		75,902	80,304

The notes on pages 9 to 17 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 2019 (audited)	8,136	218,508	10	(23,782)	30	-	496	10,047	(132,898)	80,547	(243)	80,304
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	-	(8,743)	(8,743)	(54)	(8,797)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	-	(8,743)	(8,743)	(54)	(8,797)
Share based payment expenses	-	-	-	-	-	-	-	4,395	-	4,395	-	4,395
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2019 (unaudited)	8,136	218,508	10	(23,782)	30	-	496	14,442	(141,641)	76,199	(297)	75,902

	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

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

	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES	8,982	(7,703)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(594)	3,472
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(16,614)	(1,689)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(8,226)	(5,920)
Cash and cash equivalents at beginning of the period	22,554	30,348
Effect of foreign exchange rates, net	–	266
CASH AND CASH EQUIVALENTS AT END OF PERIOD	14,328	24,694
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	14,328	24,694

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 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HKFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Notes to Condensed Consolidated Interim Financial Statements

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

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

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

HKFRS 16 Leases

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including insubstance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

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 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	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2019			
Revenue from external customers	130,398	6,511	136,909
Non-current assets	7,907	1,742	9,649
Capital expenditure	604	–	604
	Hong Kong	Macau	Total
	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

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 2018: 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:

Notes	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue		
Sale of goods	136,910	141,309
Other (losses)/income and gains, net		
Bank interest income	10	4
Interest income on loan receivable	555	63
Change in fair value of financial assets at fair value through profit or loss	(2,304)	(4,275)
Gain on disposal of property, plant and equipment	–	1,980
Others	399	242
	(1,340)	(1,986)
	135,570	139,323

6. FINANCE COSTS

	For the six months ended 30 June	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Interest on bank loans and overdrafts	–	–
Finance lease charges	138	144
Interest expenses	295	17
Interest expenses on lease liability	553	–
	986	161

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	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(a) Employee benefit expenses (excluding directors' remuneration)		
Pension scheme contributions	302	492
Salaries, wages and other benefits	6,735	12,933
	7,037	13,425
(b) Other items		
Cost of inventories recognised as an expense	109,564	110,952
Depreciation		
– owned assets	1,146	1,561
– assets under finance leases	1,714	1,006
– right-of-use assets	9,580	–
Amortisation of intangible assets	282	282
Minimum lease payments under operating leases in respect of land and buildings	–	15,015
Share based payment expenses	4,395	–
Loss on write-off of property, plant and equipment	–	–

8. INCOME TAX

	For the six months ended 30 June	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong profit tax	7	–
Deferred taxation	(47)	–
	(40)	–

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

Macau complementary tax has been provided at progressive rates up to a maximum of 12% (six months ended 30 June 2018: 12%) on the estimated taxable profits.

Notes to Condensed Consolidated Interim Financial Statements

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\$8,743,000 (six months ended 30 June 2018: HK\$15,200,000) and the weighted average of 813,633,000 ordinary shares (2018: 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 2019 and 2018 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 2019, the Group acquired items of property, plant and equipment of approximately HK\$604,000 (six months ended 30 June 2018: HK\$5,471,000).

During the six months ended 30 June 2019, the Group did not dispose items of property, plant and equipment (six months ended 30 June 2018: HK\$1,470,000).

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 2019	31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	1,677	2,788
1 to 2 months	3	6
2 to 3 months	9	2
Over 3 months	20	919
	1,709	3,715

Notes to Condensed Consolidated Interim Financial Statements

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 2019	31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 3 months	3,000	8,392
3 to 6 months	8,392	–
Over 6 months	–	–
	11,392	8,392

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 2019	31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	2,044	861
1 to 2 months	2,499	74
2 to 3 months	2,162	–
Over 3 months	1,772	–
	8,477	935

Notes to Condensed Consolidated Interim Financial Statements

15. SHARE CAPITAL

	30 June 2019	31 December 2018
	(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 2018: 813,633,000) ordinary shares of HK\$0.01 each	8,136	8,136

16. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
	Notes	2019	2018
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental expenses paid to related companies	(a)	3,024	3,300

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

	For the six months ended 30 June	
	2019	2018
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employee benefits	2,160	3,218
Post-employment benefits	55	41
	2,215	3,259

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 2019	31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Financial assets at fair value through profit or loss	11,691	13,995
Loans and receivables		
Trade receivables	1,709	3,715
Loan receivables	11,392	8,392
Financial assets included in deposits and other receivables	9,013	12,420
Cash and cash equivalents	14,328	22,554
	36,442	47,081
	48,133	61,076

Financial liabilities

	30 June 2019	31 December 2018
	(Unaudited) HK\$'000	(Audited) HK\$'000
Financial liabilities at amortised cost		
Trade payables	8,477	935
Financial liabilities included in accrued liabilities and other payables	10,795	26,466
Lease liability	24,512	6,262
	43,784	33,663

18. COMPARATIVE FIGURES

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

19. 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 2019.

Management Discussion and Analysis

MARKET OVERVIEW

The subdued economic conditions continue to affect Hong Kong in 2019 with the softening global economic growth, Sino-US trade tensions and the resultant slowdown in trading activities in Asia. According to the half-yearly Economic Report 2019 published by the Office of the Government Economist Financial Secretary's Office, the Hong Kong economy expanded modestly by 0.5% in the second quarter of 2019 over a year earlier, slightly slower than the 0.6% growth in the preceding quarter.

Hong Kong retail market have been facing a recession during the first half year in 2019 with the sluggish domestic demand and cautious private consumption sentiment. The Census and Statistics Department has published Report on Monthly Survey of Retail Sales, which shows that the value of total retail sales in June 2019, provisionally estimated at \$35.2 billion, decreased by 6.7% over the same month in 2018. For the first half of 2019, it was provisionally estimated that the value of total retail sales decreased by 2.6% compared with the same period in 2018.

With the operation of Hong Kong-Zhuhai-Macao Bridge and Guangzhou-Shenzhen-Hong Kong Express Rail Link and Road Initiative, the number of mainland tourist arrivals in Hong Kong increased in the first half of 2019. According to the Hong Kong Tourism Board, the number of visits by mainland Chinese tourists to Hong Kong in the first half year of 2019 grew by 16.4% as compared with the same period last year, of which same-day visitors and overnight visitors increased by 19.9% and 11.0% respectively. Even though the tourism statistics show significant boosts, the positive impacts from the Guangdong-Hong Kong-Macao Greater Bay Area infrastructure were offset by the rising global economic tensions and continuous depreciation of Renminbi.

The Sino-US trade dispute continues to heat up, which cause major negative impacts to the economy. The private consumption sector has been turning prudent and stayed cautious, and corporations may have to be more careful in their expanding business plans in the face of various headwinds and the weakened economic outlook. The continuous imposition of import tariff and delay in the implementation of tariff by the US government and the PRC government weakened the economy and posted evolving threats and uncertainties.

BUSINESS REVIEW

During the Period, the Group's total revenue decreased by approximately 3.1% to approximately HK\$136.9 million. The revenues generated in the markets of Hong Kong and Macau accounted for 95.8% and 4.2% respectively of the Group's revenue. The Group's gross profit at approximately HK\$27.3 million, which was decreased by 9.9% as compared to the same period last year. The net loss for the Period decreased by 42.5% to HK\$8.8 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 5.9% to approximately HK\$136.9 million. The revenue came from the 6 "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.

Management Discussion and Analysis

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.

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 2019, the Group held the listed securities in Hong Kong with the fair value of HK\$11.7 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\$2.3 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.

Macau

The business performance of its points of sale in exclusive clubhouses performed better during the period. The Group's revenue from the Macau market increased by 216.7% to approximately HK\$5.7 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\$136.9 million, representing a decrease of 3.1% as compared to approximately HK\$141.3 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 84.2% of the total revenue of the Group. The revenue generated from the sales of unused products increased from approximately HK\$101.8 million recorded in the corresponding period last year, representing 72% of the total revenue of the Group, to approximately HK\$103.8 million during the Period, representing 75.8% 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 2019, the revenue generated from the Hong Kong market was approximately HK\$131.2 million, representing approximately 95.8% of the total revenue of the Group. Revenue generated from the Macau market increased from approximately HK\$1.8 million during the corresponding period last year to approximately HK\$5.7 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 2019 and 2018 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				
	2019		2018		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	115.3	84.2	129.0	91.3	(10.6)
Other products	21.6	15.8	12.3	8.7	75.6
Total	136.9	100.0	141.3	100.0	(3.1)
By product categories (unused and second-hand products)					
Unused products	103.8	75.8	101.8	72.0	2.0
Second-hand products	33.1	24.2	39.5	28.0	(16.2)
Total	136.9	100.0	141.3	100.0	(3.1)
By price range of products					
Within HK\$10,000	25.0	18.2	28.2	20.0	(11.3)
HK\$10,001 – HK\$30,000	22.7	16.6	24.9	17.6	(8.8)
HK\$30,001 – HK\$50,000	10.5	7.7	10.9	7.7	(3.7)
Above HK\$50,000	78.7	57.5	77.3	54.7	1.8
Total	136.9	100.0	141.3	100.0	(3.1)
By geographical locations					
Hong Kong	131.2	95.8	139.5	98.7	(5.9)
Macau	5.7	4.2	1.8	1.3	216.7
Total	136.9	100.0	141.3	100.0	(3.1)

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2019, cost of sales of the Group was approximately HK\$109.6 million, decreased by 1.3% 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\$3 million to approximately HK\$27.3 million, with its gross profit margin decreased slightly by 1.5% to 20.0%.

Inventory analysis

The Group's total inventories as at 30 June 2019 and 31 December 2018 were approximately HK\$42.9 million and HK\$40.5 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 2019 and 31 December 2018:

	As at 30 June 2019	As at 31 December 2018
	HK\$'000	HK\$'000
Aging of inventories (handbags products)		
0 to 90 days	14,119	12,549
91 to 180 days	7,757	8,410
181 days to 1 year	8,514	8,453
Over 1 year	9,651	8,456
Total	40,041	37,868

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2019 and 31 December 2018:

	As at 30 June 2019	As at 31 December 2018
	HK\$'000	HK\$'000
Aging of inventories (other products)		
0 to 45 days	952	874
46 to 90 days	762	1,196
91 days to 1 year	706	375
Over 1 year	469	219
Total	2,889	2,664

Management Discussion and Analysis

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 2019 and 31 December 2018:

	As at 30 June 2019 HK\$'000	As at 31 December 2018 HK\$'000
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	7,354	6,908
91 to 180 days	3,993	4,643
181 days to 1 year	4,253	4,373
Over 1 year	4,306	3,546
Total	19,906	19,470

Other (losses)/income and gains

Other losses amounted to approximately HK\$1.3 million, decreased by HK\$0.6 million as compared to other losses amounted to approximately HK\$2 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 2019, selling expenses of the Group were approximately HK\$11.3 million, representing 8.2% of its revenue (six months ended 30 June 2018: approximately HK\$16.7 million, representing 11.8% of revenue). Selling expenses continued to decline during the Period, mainly due to decrease in salaries expenses resulting from the adoption of new business model.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2019 amounted to approximately HK\$22.6 million, representing approximately 16.5% of the revenue, decreased by approximately HK\$4.2 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, interest expense on lease liability and finance leases. Finance costs increased from approximately HK\$0.2 million to approximately HK\$1 million in the Period.

Management Discussion and Analysis

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the six months ended 30 June 2019 was approximately HK\$8.7 million, representing a decrease of 42.5% from approximately HK\$15.2 million for the period ended 30 June 2018. Loss per share attributable to the owners of the Company was approximately HK1.1 cents for the six months ended 30 June 2019, as compared to approximately HK1.9 cent for the six months ended 30 June 2018.

Employees and remuneration policy

As at 30 June 2019, the Group had a total of 65 employees (31 December 2018: 72 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 2019 and 31 December 2018, the Group did not have any bank borrowing.

As at 30 June 2019, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$14.3 million, HK\$44.5 million and HK\$76.2 million respectively (31 December 2018: approximately HK\$22.6 million, HK\$34.4 million and HK\$80.5 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2019 were approximately 6.8%, 2.4 and 1.3 respectively (31 December 2018: 7.8%, 3.3 and 1.9 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 2019 and 31 December 2018, 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.

Management Discussion and Analysis

Contingent liabilities

As at 30 June 2019, 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 2019 and 31 December 2018.

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 2019 HK\$'000	Loss on disposal HK\$'000	Fair value gain/(loss) HK\$'000	As at 30 June 2019 HK\$'000	Percentage of shareholding (approximately)	Approximate percentage to the total assets
China e-Wallet Payment Group Limited	802	7,720	-	(1,320)	6,400	1.46%	5.3%
Others		6,275	-	(984)	5,291		4.4%
		13,995	-	(2,304)	11,691		

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 negative economy trend in the first half year of 2019 and continuous declines in the Hong Kong retail market, the Group is prudent about its business performance in the second half year of 2019.

Hong Kong retail market have been facing recession in the first half year of 2019 and a further deceleration is expected in the second half year of 2019, with a depressed market atmosphere and cautious consumer spending behaviour. The Hong Kong Retail Management Association ("HKRMA") foresees a flat to low single-digit growth in retail sales value for 2019 as a whole. Entering the second half of 2019, the global economic growth began to further slacken mainly due to the escalated Sino-US trade dispute, the recent social unrest in Hong Kong and other headwinds.

According to the Hong Kong Tourism Board, visitors now spend less in shopping, but are more interested in sightseeing and gaining new traveling experience. The shopping pattern of visitors has also changed from focusing on high-end items to mainly shopping for daily necessities. The continuous volatility in Renminbi and the social unrest are expected to lower the number of tourism to Hong Kong and their spending in Hong Kong.

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 Group will also emphasis on costs control, adopt new business model and review the retail strategy.

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:

Name or category of participants	Number of share options						Date of grant of share options	Validity of share options	Exercise price of share options HK\$ per share	
	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				
Executive Directors										
Mr. Yu 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 <i>(Note)</i>	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 2019, 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\$9.5 million.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2019, 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.

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 2019.

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 2019 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 2019, 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 2019, 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.

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.

Additional Information

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 2019, 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 2019 (six months ended 30 June 2018: Nil).

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

Hong Kong, 30 August 2019



INTERIM
REPORT
中期報告
2019

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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