



米 蘭 站 控 股 有 限 公 司

MILAN STATION HOLDINGS LIMITED

(Incorporated in Cayman Islands with limited liability)

STOCK CODE : 1150

INTERIM
REPORT | 2022
中期報告

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Zhongqi
Mr. Hu Bo
Ms. Lin Mei Sze

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

McMillan Woods (Hong Kong) CPA Limited
24/F., Siu On Centre,
188 Lockhart Road, Wan Chai,
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

Room 13, 6/F, Block A
Hong Kong Industrial Centre,
489-491 Castle Peak Road
Kowloon

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A,
Block 3, Building D,
P.O. Box 1586, Gardenia Court
Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
17M/F
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

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 2022 (the “Period”) together with the comparative figures for the corresponding period in 2021 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	
		2022	2021
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	5	118,363	112,827
Cost of sales		(86,522)	(83,269)
Gross profit		31,841	29,558
Provision for allowance for expected credit losses		–	(9)
Other income and (losses)/gains, net	5	(14,518)	11,363
Selling expenses		(23,350)	(17,300)
Administrative and other operating expenses		(17,582)	(13,046)
Finance costs	6	(425)	(460)
(Loss)/profit before tax	7	(24,034)	10,106
Income tax expense	8	(3)	(10)
(Loss)/profit for the period		(24,037)	10,096
Attributable to:			
Owners of the Company		(24,201)	9,592
Non-controlling interests		164	504
		(24,037)	10,096
(Loss)/earnings per share			
– Basic	9	HK(3.35) cents	HK1.35 cents
– Diluted	9	HK(3.35) cents	HK1.32 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	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(Loss)/profit for the period	(24,037)	10,096
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	44	3
	(23,993)	10,099
Total comprehensive (expense)/income for the period	(23,993)	10,099
Attributable to:		
Owners of the Company	(24,157)	9,595
Non-controlling interests	164	504
	(23,993)	10,099

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	8,953	9,905
Right-of-use assets		21,380	17,655
Deposits		2,514	2,563
Total non-current assets		32,847	30,123
Current assets			
Inventories		51,491	49,758
Trade receivables	12	9,022	4,782
Loan receivables	13	18,234	13,076
Prepayments, deposits and other receivables		7,350	10,395
Financial asset at fair value through profit or loss		19,591	36,162
Cash and cash equivalents		16,732	28,552
Total current assets		122,420	142,725
Current liabilities			
Trade and other payables	14	13,004	16,674
Contract liabilities		292	2,299
Lease liabilities		13,680	12,268
Tax payable		448	445
Total current liabilities		27,424	31,686
Net current assets		94,996	111,039
Total assets less current liabilities		127,843	141,162
Non-current liabilities			
Provisions		252	252
Lease liabilities		8,597	6,207
Total non-current liabilities		8,849	6,459
NET ASSETS		118,994	134,703
EQUITY			
Issued capital	15	29,360	28,477
Reserves		88,201	105,349
Equity attributable to owners of the Company		117,561	133,826
Non-controlling interests		1,433	877
TOTAL EQUITY		118,994	134,703

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								Non-controlling interests	Total equity	
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Accumulated losses			Total
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2022 (audited)	28,477	251,857	10	(23,782)	30	496	5,658	(128,920)	133,826	877	134,703
Exchange differences arising on translation of foreign operations	-	-	-	-	-	44	-	-	44	-	44
Share options lapsed	-	-	-	-	-	-	(4,395)	4,395	-	-	-
Share options exercised	883	2,608	-	-	-	-	(1,263)	-	2,228	-	2,228
Equity-settled share-based payment	-	-	-	-	-	-	6,056	-	6,056	-	6,056
Loss for the period	-	-	-	-	-	-	-	(24,201)	(24,201)	164	(24,037)
Total comprehensive income for the period	883	2,608	-	-	-	44	398	(19,806)	(15,873)	164	(15,709)
At 30 June 2022 (unaudited)	29,360	254,465	10	(23,782)	30	540	6,056	(148,276)	117,953	1,041	118,994

	Attributable to owners of the Company								Non-controlling interests	Total equity	
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Retained profits			Total
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2021 (audited)	28,477	251,857	10	(23,782)	30	502	5,658	(149,450)	113,302	(748)	112,554
Exchange differences arising on translation of foreign operations	-	-	-	-	-	3	-	-	3	-	3
Profit for the period	-	-	-	-	-	-	-	9,592	9,592	504	10,096
Total comprehensive income for the period	-	-	-	-	-	3	-	9,592	9,595	504	10,099
At 30 June 2021 (unaudited)	28,477	251,857	10	(23,782)	30	505	5,658	(139,858)	122,897	(244)	122,653

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	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(10,674)	(15,292)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(1,309)	2,535
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES	119	(8,045)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,864)	(20,802)
Cash and cash equivalents at beginning of the period	28,552	67,576
Effect of foreign exchange rates, net	44	3
CASH AND CASH EQUIVALENTS AT END OF PERIOD	16,732	46,777
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	16,732	46,777

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 Room 13, 6/F, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon.

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 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRS	Annual Improvements to HKFRSs 2018-2020

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)**

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated 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, deposits and right-of-use assets.

	Hong Kong	Macau	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2022			
Revenue from external customers	118,363	–	118,363
Non-current assets	32,847	–	32,847
Capital expenditure	798	–	798
	Hong Kong	Macau	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2021			
Revenue from external customers	110,849	1,978	112,827
Non-current assets	29,464	–	29,464
Capital expenditure	598	–	598

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 2021: Nil) and no information about major customers is presented accordingly.

Notes to Condensed Consolidated Interim Financial Statements

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

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue		
Sale of goods	118,363	112,827
Other income and gains/(loss), net		
Interest income	44	82
Interest income on loan receivable	507	475
(Loss)/gain on fair value change of financial assets at fair value through profit or loss	(17,086)	6,602
Gain on disposal of property, plant and equipment	–	2,899
Covid-19 related rent concessions	67	50
Government grant (note)	948	100
Others	1,002	1,155
	(14,518)	11,363
	103,845	124,190

Note: During the period ended 30 June 2022, the Group recognised government grants of HK\$948,000 (six months ended 30 June 2021: HK\$100,000) in respect of Covid-19-related subsidies, mainly in relation to Subsidy Scheme for Beauty Parlours, Massage Establishments and Party Room, Employee Support Scheme and Retail Sector Subsidy Scheme provided by the Hong Kong government.

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest expenses	–	4
Interest expenses on lease liabilities	425	456
	425	460

Notes to Condensed Consolidated Interim Financial Statements

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging:

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
(a) Employee benefit expenses (excluding directors' remuneration)		
Pension scheme contributions	465	560
Salaries, wages and other benefits	11,722	10,940
Equity-settled share-based payment	4,239	–
	16,426	11,500
(b) Other items		
Cost of inventories recognised as an expense	86,522	83,269
Depreciation		
– owned assets	1,750	1,111
– right-of-use assets	8,023	8,012

8. INCOME TAX

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong profit tax	3	10

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

Notes to Condensed Consolidated Interim Financial Statements

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

(Loss)/earnings figures are calculated as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings for the period attributable to owners of the Company	(24,201)	9,592

	For the six months ended 30 June	
	2022	2021
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	721,313,516	711,928,875
Effect of dilutive potential ordinary shares:		
Share options	1,962,727	12,832,820
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	723,276,243	724,761,695

As the Company's outstanding share options were applicable had on anti-dilutive effect to the basic loss per share calculate, the exercise of the above potential dilutive shares is not assumed in the calculation of diluted loss per share for the period ended 30 June 2022.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2021: 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 2022, the Group acquired items of property, plant and equipment of approximately HK\$798,000 (six months ended 30 June 2021: HK\$598,000).

During the six months ended 30 June 2022, the Group has no disposed of property, plant and equipment (six months ended 30 June 2021: HK\$1,000).

Notes to Condensed Consolidated Interim Financial Statements

12. TRADE RECEIVABLES

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

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

	30 June 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	8,931	4,494
1 to 2 months	50	119
2 to 3 months	22	30
Over 3 months	19	139
	9,022	4,782

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 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
6 months to 1 year	18,234	13,076
	18,234	13,076

Notes to Condensed Consolidated Interim Financial Statements

14. TRADE AND OTHER PAYABLES

	30 June 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Trade payables	70	1,421
Accrued liabilities	6,166	8,696
Other payables	832	835
Amount due to non-controlling interests	3,222	3,222
Deposits received	2,714	2,500
	13,004	16,674

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

	30 June 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	70	1,421
	70	1,421

15. SHARE CAPITAL

	30 June 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Authorised: ordinary shares of HK\$0.04 each	80,000	80,000
Issued and fully paid: 733,988,875 (31 December 2021: 711,928,875) ordinary shares of HK\$0.04 each	29,360	28,477

Notes to Condensed Consolidated Interim Financial Statements

16. RELATED PARTY TRANSACTIONS

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

	Amount owed by the Group as at 30 June		Related interest expense for the six months ended 30 June	
	2022	2021	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Lease liabilities (note a and b)	7,195	3,898	47	30

Notes:

- (a) Milan Station (Causeway Bay) Limited ("MS (CWB)"), a company incorporated in Hong Kong with limited liability and an indirect wholly owned subsidiary of the Company, and Excel Trend Limited ("Excel Trend"), a company incorporated in Hong Kong with limited liability and indirectly beneficially wholly owned by Mr. Yiu Kwan Tat ("Mr. Yiu"), the former chairman and an executive director, entered into a lease agreement in relation to the leasing of the premises situated at Areas E and F on the Ground Floor of Percival House, No. 83 Percival Street, Causeway Bay, Hong Kong for retail uses.
- (b) In June 2021 and 2022, the Group entered into a lease in respect of the same leasehold properties with Mr. Yiu which is connected party. The amount of lease payable by the Group under the lease is HK\$360,000 and HK\$220,000 per month respectively, which was determined with reference to market rent. The Group recognised a right-of-use asset and a lease liability of HK\$4,248,000 and HK\$7,387,000 at the date of lease on 2021 and 2022 respectively.
- (ii) Compensation of key management personnel of the Group during the periods are as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employee benefits	2,275	2,262
Post-employment benefits	45	45
	2,320	2,307

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 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Financial assets at fair value through profit or loss	19,591	36,162
Financial assets at amortised cost:		
Trade receivables	9,022	4,782
Loan receivables	18,234	13,076
Financial assets included in deposits and other receivables	8,206	11,588
Cash and cash equivalents	16,732	28,552
	52,194	57,998
	71,785	94,160

Financial liabilities

	30 June 2022	31 December 2021
	(Unaudited) HK\$'000	(Audited) HK\$'000
Financial liabilities at amortised cost		
Trade payables	70	1,421
Financial liabilities included in accrued liabilities and other payables	10,220	12,753
	10,290	14,174

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 31 August 2022.

Management Discussion and Analysis

MARKET OVERVIEW

The first quarter of 2022 remained a particularly challenging time for the Hong Kong economy, especially to the retail industry since the new wave of COVID-19 outbreak. A series of measures to restrict cross-border mobility and social distance caused the tourism market is unlikely to recover in the near future and likely to undermine the retail growth prospects in 2022.

Although inbound tourism activities remained severely hindered amid widespread travel restrictions, local labour market saw some improvement lately. The seasonally adjusted unemployment rate fell to 4.3% in April to July 2022. Private consumption expenditure posted faster year-on-year growth alongside the receding local epidemic and improving labour market situation. 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 2022, provisionally estimated at HK\$27.7 billion, decreased by 1.2% compared with the same month in 2021. In light of the above, the development and effect of COVID-19 was uncertain and further undermine the retail growth in the future.

The global economy has continued to recover, thanks to the rollout of mass vaccinations and strong fiscal and monetary support in many major economies. Nevertheless, corporations may have to be more careful in their business plans in the face of various headwinds such as the uncertainty of the development and effect of COVID-19, China-US relations, geopolitical tensions and the evolving monetary policy stance of major central banks also warrant attention.

BUSINESS REVIEW

During the Period, the Group's total revenue increased by approximately 5% to approximately HK\$118.4 million. The revenues generated in the markets of Hong Kong of the Group's revenue. The Group's gross profit at approximately HK\$31.8 million, which was increased by 7.4% as compared to the same period last year. A turnaround from net profit of approximately HK\$10.1 million to net loss of approximately 24.0 million was mainly due to the net loss on fair value change of financial assets at fair value through profit or loss of approximately HK\$17.1 million and the recognition of share option expenses of approximately HK\$6.1 million.

Hong Kong

During the Period, sales of the Group in Hong Kong increased by 6.9% to approximately HK\$118.4 million. The revenue came from the 5 "Milan Station" retail stores, the 10 "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. The Group also focus on the control on cost in order to overcome the effect from COVID-19. The Group also tried to open new stores in more favourable places with cheaper rent. During the Period, 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 2022, the Group held the listed securities in Hong Kong with the fair value of HK\$19.6 million under financial assets at fair value through profit or loss. The Group recognised a loss on fair value change of financial assets at fair value through profit or loss of approximately HK\$17.1 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. No revenue generated from the Macau market. This was mainly due to the COVID-19 resulted in the restriction on travellers. The Group will continue to adjust the product mix of point of sale in exclusive clubhouses.

FINANCIAL REVIEW

Revenue

During the Period, total revenue increased to approximately HK\$118.4 million, representing an increase of 5% as compared to approximately HK\$112.8 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 82.3% of the total revenue of the Group. The revenue generated from the sales of unused products increased from approximately HK\$87.3 million recorded in the corresponding period last year, representing 77.4% of the total revenue of the Group, to approximately HK\$101.2 million during the Period, representing 85.5% 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 2022, the revenue generated from the Hong Kong market was approximately HK\$118.4 million, representing approximately 100% of the total revenue of the Group. No revenue generated from the Macau market during the corresponding period last year 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 2022 and 2021 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				
	2022		2021		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	97.5	82.3	86.8	77.0	12.3
Other products	20.9	17.7	26.0	23.0	(19.6)
Total	118.4	100	112.8	100	5.0
By product categories (unused and second-hand products)					
Unused products	101.2	85.5	87.3	77.4	15.9
Second-hand products	17.2	14.5	25.5	22.6	(32.5)
Total	118.4	100	112.8	100	5.0
By price range of products					
Within HK\$10,000	44.0	37.2	27.2	24.1	61.8
HK\$10,001 – HK\$30,000	15.0	12.7	21.0	18.6	28.6
HK\$30,001 – HK\$50,000	16.7	14.1	14.0	12.4	19.3
Above HK\$50,000	42.7	36.0	50.6	44.9	(15.6)
Total	118.4	100	112.8	100	5.0
By geographical locations					
Hong Kong	118.4	100	110.8	98.2	6.9
Macau	–	–	2.0	1.8	(100)
Total	118.4	100	112.8	100	5.0

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2022, cost of sales of the Group was approximately HK\$86.5 million, increased by 3.8% as compared to the same period last year. The increase in cost of sales was in line with the increase in revenue. 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 increased by HK\$2.2 million to approximately HK\$31.9 million, with its gross profit margin slightly decreased by 26.2% to 26.9%.

Inventory analysis

The Group's total inventories as at 30 June 2022 and 31 December 2021 were approximately HK\$51.5 million and HK\$49.8 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 2022 and 31 December 2021:

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
Aging of inventories (handbags products)		
0 to 90 days	11,481	16,039
91 to 180 days	8,610	7,989
181 days to 1 year	10,476	9,095
Over 1 year	17,252	13,807
Total	47,819	46,930

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2022 and 31 December 2021:

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
Aging of inventories (other products)		
0 to 45 days	2,007	1,144
46 to 90 days	712	774
91 days to 1 year	539	572
Over 1 year	414	338
Total	3,672	2,828

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 2022 and 31 December 2021:

	As at 30 June 2022	As at 31 December 2021
	HK\$'000	HK\$'000
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	7,427	10,678
91 to 180 days	6,616	5,276
181 days to 1 year	7,424	5,767
Over 1 year	7,870	4,687
Total	29,337	26,408

Other income and (losses)/gains

Other income and losses amounted to approximately HK\$14.5 million, decreased by HK\$25.9 million as compared to other income and gains amounted to approximately HK\$11.4 million in the corresponding period last year. The decrease was mainly attributable to the loss on fair value change of financial assets at fair value through profit or loss of approximately HK\$17.1 million.

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 2022, selling expenses of the Group were approximately HK\$23.4 million, representing 19.7% of its revenue (six months ended 30 June 2021: approximately HK\$17.3 million, representing 15.3% of revenue). Selling expenses increased was mainly due to the increase in rental expenses and salaries expenses.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2022 amounted to approximately HK\$17.6 million, representing approximately 14.9% of the revenue, increased by approximately HK\$4.6 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 decreased from approximately HK\$0.5 million to approximately HK\$0.4 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 2022 was approximately HK\$24.2 million, representing a decrease of 352.1% from profit of approximately HK\$9.6 million for the period ended 30 June 2021. The basic and diluted loss per share attributable to the owners of the Company was approximately HK3.35 cents and HK\$3.35 cents respectively for the six months ended 30 June 2022, as compared to the basic and diluted earnings per share of approximately HK1.35 cents and HK1.32 cent respectively for the six months ended 30 June 2021.

Employees and remuneration policy

As at 30 June 2022, the Group had a total of 72 employees (31 December 2021: 69 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 2022 and 31 December 2021, the Group did not have any bank borrowing.

As at 30 June 2022, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$16.7 million, HK\$36.3 million and HK\$117.6 million respectively (31 December 2021: approximately HK\$28.6 million, HK\$38.2 million and HK\$133.8 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2022 were approximately 18.7%, 4.5 and 2.6 respectively (31 December 2021: 13.7%, 4.5 and 2.9 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 2022 and 31 December 2021, 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 2022, 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 2022 and 31 December 2021.

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	Gain on disposal	Fair value loss	As at	Percentage of shareholding (approximately)	Approximate percentage to the total assets
		1 January 2022			30 June 2022		
		HK\$'000	HK\$'000	HK\$'000	HK\$'000		
China e-Wallet Payment Group Limited	802	4,280	–	(1,917)	2,390	1.34%	1.5%
Tai Kam Holdings Limited	8321	11,580	–	(8,062)	3,519	3.76%	2.3%
Others		20,302	600	(7,707)	13,682		8.8%
		36,162	600	(17,686)	19,591		

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

The global economy gathered steam entering 2022 thanks to strong fiscal and monetary support worldwide and the rollout of mass vaccination programs. Nonetheless, the volatile epidemic situation remains a key source of uncertainty surrounding the global economic outlook, international travel and tourism-related sectors will likely still take time to recover. Containing the epidemic is pivotal to the recovery of local consumption activity.

Domestically, the government launched consumption voucher scheme, applicants are able to receive electronic consumption vouchers which encourage the public to spend in local retail, consumption-related sectors, hence stimulating local consumer sentiment. The improved local business sentiment, coupled with the support from various government relief measures, should help domestic demand to improve in the period ahead and accelerating local economic recovery.

Looking ahead, local consumption may rebound further on the back of declining unemployment rate, high vaccination rate as well as the launch of the e-consumption vouchers. However, various uncertainty such as China-US relations, geopolitical tensions, the evolving policy stance of major central banks and the recent spread of the epidemic has cast uncertainty over the global economic outlook. The management therefore should continue to catch up any opportunities arose in this market and continued to strengthened our resources in order to maintain the leading position in the luxury handbags and accessories trading industry. Simultaneously, the management will also impose more prudent business policy to operate with great caution and lead the Group through unprecedented challenges.

Additional Information

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

As at 30 June 2022, the Directors and the chief executive of the Company had the following interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which 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.

Long positions in share options of the Company

Name of participants	Number of share held	Number of share options			Total	Approximate percentage of total number of issued shares
		Personal Interest	Family Interest			
Executive Directors						
Mr. Hu Bo	2,210,000	7,119,200	–	9,329,200	1.27%	
Mr. Li Zhongqi	2,210,000	7,119,200	–	9,329,200	1.27%	
Ms. Lin Mei Sze	–	7,119,200	–	7,119,200	0.97%	

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations.

SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 30 June 2021 (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 2022 are shown below:

Name or category of participants	Number of share options							At 30 June 2022	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2022	Granted during the period	Exercised during the period (Note)	Expired during the period	Reclassified during the period	Lapsed during the period					
Director											
Hu Bo	2,175,400	–	–	–	–	(2,175,400)	–	12-4-19	12-4-19 to 11-4-22	0.434	
	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101	
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183	
Li Zhongqi	2,212,382	–	(2,210,000)	–	–	(2,382)	–	17-4-20	17-4-20 to 16-4-22	0.101	
	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183	
Lin Mei Sze	–	7,119,200	–	–	–	–	7,119,200	27-4-22	27-4-22 to 26-4-24	0.183	
Other employees/consultants											
In aggregate	19,911,980	–	–	–	–	(19,911,980)	–	12-4-19	12-4-19 to 11-4-22	0.434	
	17,699,924	–	(17,640,000)	–	–	(59,924)	–	17-4-20	17-4-20 to 11-4-22	0.101	
	–	49,834,400	–	–	–	–	49,834,400	27-4-22	27-4-22 to 26-4-24	0.183	
	44,212,068	71,192,000	(22,060,000)	–	–	(22,152,068)	71,192,000				

Additional Information

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e., 17 April 2020 and 27 April 2022, were HK\$0.092 and HK\$0.190 per share respectively.

During the Period, (i) 22,060,000 share options under the Scheme were exercised; and (ii) 22,152,068 share options under the Scheme were lapsed.

As at the date of this interim report, a total of 71,192,000 shares options were granted and the total number of shares available for issue under the Scheme is 733,988,875, which represents approximately 9.7% of the total number of issued shares of the Company as at 31 August 2022 (i.e. 733,988,875 shares).

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

As at 30 June 2022, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, there is no person had, or was deemed or taken to have, an interest or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying voting rights to vote in all circumstances at general meeting of any other member of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

- (i) The proceeds from the listing, after deduction of related issuance expenses, amounted to HK\$4.5 million.
- (ii) As at 30 June 2022, the net proceeds from the Rights Issue were used as intended.

Additional Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2022, 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 2022.

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 2022 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 2022, 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 2022, 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 2022, 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 2022 (six months ended 30 June 2021: Nil).

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

Hong Kong, 31 August 2022



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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