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MILAN STATION HOLDINGS LIMITED
米 蘭 站 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2012

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$374.3 million, representing a decrease of 13.0% from approximately HK$430.2 million for the corresponding period last year.
- Gross profit was approximately HK$78.1 million, representing a decrease of 27.5% from approximately HK$107.7 million for the corresponding period last year.
- Profit for the period was approximately HK$0.4 million, representing an decrease of 98.8% from approximately HK$34.2 million for the corresponding period last year.
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012.

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 2012 (the "Period") together with the comparative figures for the corresponding period in 2011 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.

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June **2012** **(Unaudited)** ***HK$'000***	2011 (Unaudited) *HK$'000*
REVENUE	*5*	**374,336**	430,182
Cost of sales		**(296,268)**	(322,515)
Gross profit		**78,068**	107,667
Other income and gains	*5*	**4,654**	3,280
Selling expenses		**(54,085)**	(49,388)
Administrative and other operating expenses		**(25,550)**	(18,464)
Finance costs	*6*	**(638)**	(98)
PROFIT BEFORE TAX	*7*	**2,449**	42,997
Income tax expense	*8*	**(2,063)**	(8,841)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**386**	34,156
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	*10*	**HK0.06 cent**	HK5.99 cents

Details of the dividends are disclosed in note 9 to the financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT FOR THE PERIOD	**386**	34,156
OTHER COMPREHENSIVE INCOME/(EXPENSE):		
Exchange differences on translating foreign operations	**(152)**	108
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**234**	34,264

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2012 (Unaudited) *HK$'000***	31 December 2011 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**95,083**	11,926
Deferred tax assets		**1,928**	1,928
Deposits		**23,817**	21,011
Total non-current assets		**120,828**	34,865
CURRENT ASSETS			
Inventories		**116,989**	154,163
Trade receivables	*12*	**6,115**	9,259
Prepayments, deposits and other receivables		**16,809**	22,624
Tax recoverable		**1,095**	1,017
Pledged deposits		**21,597**	1,503
Cash and cash equivalents		**144,352**	176,539
Total current assets		**306,957**	365,105
CURRENT LIABILITIES			
Accrued liabilities and other payables		**14,670**	21,102
Interest-bearing bank borrowings	*13*	**38,280**	–
Obligations under finance leases		**101**	112
Tax payable		**6,627**	5,383
Provision	*14*	**–**	1,407
Total current liabilities		**59,678**	28,004
NET CURRENT ASSETS		**247,279**	337,101
TOTAL ASSETS LESS CURRENT LIABILITIES		**368,107**	371,966

	Notes	**30 June 2012 (Unaudited)** *HK$'000*	31 December 2011 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Obligations under finance leases		**116**	163
Deferred tax liability		**177**	177
Total non-current liabilities		**293**	340
Net assets		**367,814**	371,626
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital	*15*	**6,744**	6,744
Reserves		**361,070**	364,882
Total equity		**367,814**	371,626

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 of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the retailing of handbags, fashion accessories and embellishments. There were no significant changes in the nature of the Group's principal activities during the Period.

In the opinion of the directors of the Company, the holding company and the ultimate holding company of the Company is Perfect One Enterprises Limited ("Perfect One"), which is incorporated in the British Virgin Islands.

2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with the applicable disclosure provisions of Appendix 16 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2011, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include Hong Kong Accounting Standards and Interpretations) in the current period for the first time as disclosed in note 3 below.

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

The following new and revised HKFRSs ("new HKFRSs") were adopted for the first time for the current period's condensed consolidated interim financial statements:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

The adoption of the above new HKFRSs had no material effect on the results and financial position for the current or prior accounting periods which have been prepared and presented.

4. OPERATING SEGMENT INFORMATION

The Group's primary activity is the retailing of handbags, fashion accessories and embellishments. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical information, the revenue information is based on the location of customers, and the non-current assets information is based on the location of the assets.

	Hong Kong	Macau	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2012				
Revenue from external customers	**304,633**	**26,477**	**43,226**	**374,336**
Non-current assets	**90,847**	**86**	**11,825**	**102,758**
Capital expenditure	**87,159**	**–**	**125**	**87,284**

	Hong Kong	Macau	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2011				
Revenue from external customers	373,187	23,877	33,118	430,182
Non-current assets	5,444	358	2,408	8,210
Capital expenditure	74	–	13	87

The non-current assets 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 month ended 30 June 2011: Nil) and no information about major customers is presented accordingly.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts. An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**374,336**	430,182
Other income and gains		
Bank interest income	**552**	15
Gross rental income	**3,480**	3,190
Others	**622**	75
	4,654	3,280
	378,990	433,462

6. FINANCE COSTS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on:		
Bank overdrafts	**1**	11
Bank loans wholly repayable within 5 years	**–**	79
Bank loan wholly repayable over 5 years	**631**	–
Finance leases	**6**	8
	638	98

7. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold	**296,268**	322,515
Provision for slow-moving inventories	**6,716**	2,220
Depreciation	**3,576**	2,088
Minimum lease payments under operating leases in respect of land and buildings	**34,721**	29,418
Employee benefit expenses (excluding directors' remuneration):		
Wages and salaries	**15,402**	16,109
Pension scheme contributions	**541**	487
	15,943	16,596
Write-off of items of property, plant and equipment	**550**	345
Bank interest income	**(552)**	(15)

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided on the estimated assessable profit arising in Hong Kong at the rate of 16.5% for the periods ended 30 June 2012 and 2011. Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC was 25% for the periods ended 30 June 2012 and 2011 on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% on the estimated taxable profits.

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current charge for the period		
– Hong Kong	**863**	6,486
– Elsewhere	**1,200**	2,355
Total tax charge for the period	**2,063**	8,841

9. DIVIDENDS

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Proposed dividends		
Interim – Nil (six months ended 30 June 2011: HK1.52 cents) per ordinary share	**–**	10,250
Special – Nil (six months ended 30 June 2011: HK1.27 cents) per ordinary share	**–**	8,565
	–	18,815

	For the six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividend paid during the period		
Final dividend in respect of the financial year ended 31 December 2011 of HK0.6 cent (six months ended 30 June 2011: Nil) per ordinary share	**4,046**	–

10. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share amount for the six months ended 30 June 2012 is based on the profit for the Period attributable to equity holders of the Company of HK$386,000 (six months ended 30 June 2011: HK$34,156,000) and the ordinary shares of 674,374,000 (six months ended 30 June 2011: weighted average number of ordinary shares of 569,793,790) in issue during the Period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2011 includes the 1,000,000 ordinary shares in issue, 540,586,000 ordinary shares issued during the six months ended 30 June 2011 pursuant to the capitalisation issue as if the shares had been in issue throughout the six months ended 30 June 2011, 132,788,000 ordinary shares issued in connection with the listing of the Company's ordinary shares on the Stock Exchange, including 24,374,000 ordinary shares issued on 26 May 2011 upon exercise of the over-allotment option (note 15(e)).

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2012 as the share options in issue during the Period has no dilutive effect.

No adjustment has been made to the basic earnings per share amount presented for the six months ended 30 June 2011 as the Group had no potentially diluted ordinary shares in issue and therefore no diluting events existed throughout that period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group acquired a property situated in Hong Kong at total cost of HK$78,879,000 (31 December 2011: Nil).

12. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on cash and credit card settlement. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Trade receivables are non-interest-bearing.

All receivables that were neither past due nor impaired relate mainly to credit card receivables from banks for whom there was no recent history of default.

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate (%)	Maturity	**30 June 2012 (Unaudited)** ***HK$'000***	31 December 2011 (Audited) *HK$'000*
Current				
Bank loan – secured	3.75 (31 December 2011: N/A)	On demand	**36,205**	–
Bank loan – unsecured	7.02 (31 December 2011: N/A)	2012	**2,075**	–
			38,280	–

As at 30 June 2012, except for a bank loan of HK$2.1 million which is denominated in Renminbi and repayable within one year, the remaining interest-bearing borrowing is denominated in Hong Kong dollars.

The Group's secured bank loan in the amount of HK$36,205,000 (31 December 2011: Nil) as at 30 June 2012 containing a repayment on demand clause is included within current interest-bearing bank borrowings and analysed into bank loan repayable within one year or on demand.

Notwithstanding the above repayment on demand clause, the directors do not believe that the secured bank loan will be called in its entirety within 12 months, and they consider that the bank loan will be repaid in accordance with the maturity dates as set out in the agreement. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the secured bank loan, the maturity terms of the secured bank loan are HK$3,200,000 (31 December 2011: Nil) repayable within one year or on demand as at 30 June 2012; HK$3,322,000 (31 December 2011: Nil) repayable in the second year as at 30 June 2012; HK$10,743,000 (31 December 2011: Nil) repayable in the third to fifth years, inclusive as at 30 June 2012; and HK$18,940,000 (31 December 2011: Nil) repayable beyond five years as at 30 June 2012.

All borrowings of the Group bear interest at floating interest rates for the period ended 30 June 2012.

As at 30 June 2012, the bank loan facilities were supported by:

(i) the pledge of a property of the Group with a carrying amount of HK$78,487,000 (31 December 2011: Nil) as at 30 June 2012;

(ii) a corporate guarantee executed by a subsidiary of the Company to the extent of HK$37,500,000 (31 December 2011: Nil); and

(iii) the pledge of deposits of HK$21,597,000.

14. PROVISION

Milan Station (Asia) Limited ("MS (Asia)"), an indirect wholly-owned subsidiary of the Company, entered into a non-cancellable operating lease contract (the "Contract") with a landlord (the "Landlord") in relation to its retail shop (the "Retail Shop") with an original term of two years in May 2009. The Retail Shop was closed down in November 2009. On 6 August 2010, a notice was issued by MS (Asia) to the Landlord in relation to the early termination of the Contract. The Landlord considered MS (Asia) had repudiated the Contract and a statement of claim against MS (Asia) for the remaining outstanding minimum lease payment was issued by the Landlord on 10 August 2010. Accordingly, the Group provided for all the future minimum lease payments of HK$2,640,000 under the Contract during the year ended 31 December 2009. The Group had paid lease payments of the Retail Shop of HK$1,233,000 during the year ended 31 December 2010.

During the Period, the Group reached a settlement agreement with the Landlord, pursuant to which the Group made an additional payment of HK$850,000 (the "Final Payment"), and credited the difference between the carrying amount of the provision at 31 December 2011 of HK$1,407,000 and the Final Payment of HK$557,000 as "other income" in the condensed consolidated income statement.

15. SHARE CAPITAL

The details of the authorised and issued share capital of the Company as at 30 June 2012 and 31 December 2011 are as follows:

	30 June 2012 (Unaudited)	31 December 2011 (Audited)
	HK'000	*HK'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
674,374,000 ordinary shares of HK$0.01 each	**6,744**	6,744

The following changes in the Company's authorised and issued share capital took place during the period from 1 November 2007 (date of incorporation) to 30 June 2012:

	Notes	**Number of ordinary shares**	**Nominal value of ordinary shares**
			HK$'000
Authorised:			
Upon incorporation (38,000,000 shares of HK$0.01) and as at 31 December 2010	*(a)*	38,000,000	380
Increase in authorised capital on 28 April 2011	*(b)*	1,962,000,000	19,620
At 31 December 2011, 1 January 2012 and 30 June 2012		2,000,000,000	20,000
Issued and fully paid:			
Upon incorporation (1 share of HK$0.01 allotted and issued as nil-paid) and as at 31 December 2010		1	–
On acquisition of Milan Station (BVI) Limited ("MS (BVI)") on 28 April 2011			
– allotment and issuance of 999,999 shares credited as fully paid	*(c)*	999,999	10
Capitalisation issue	*(d)*	540,586,000	5,406
Proforma issued capital as at 31 December 2010		541,586,000	5,416
New issue of shares	*(e)*	132,788,000	1,328
At 31 December 2011, 1 January 2012 and 30 June 2012		674,374,000	6,744

Notes:

(a) On 1 November 2007, the Company was incorporated as an exempted company with limited liability under the laws of the Cayman Islands and was authorised to issue up to 38,000,000 shares of HK$0.01 each. One nil-paid share was issued and allotted to Codan Trust Company (Cayman) Limited, which was transferred to World Top Trading Limited ("World Top") on the same date. On 21 September 2010, World Top transferred the share to Perfect One at par value.

(b) Pursuant to the written resolutions of the sole shareholder passed on 28 April 2011, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 shares.

(c) Pursuant to a resolution passed on 28 April 2011, Perfect One acquired the entire issued share capital of MS (BVI) from World Top at a consideration of US$1. On the same date, the Company acquired the entire issued share capital of MS (BVI) from Perfect One, in consideration of the allotment and issue of 999,999 shares at par value, all credited as fully paid up, to Perfect One.

(d) Pursuant to a resolution passed on 28 April 2011, 540,586,000 new shares of HK$0.01 each were further allotted and issued, credited as fully paid at par by the Company, by way of capitalisation of the sum of approximately HK$5,406,000 from the share premium account, to the then shareholder, whose name appeared on the register of the Company at close of business on 28 April 2011.

(e) In connection with the initial public offering ("IPO") of the Company, 108,414,000 shares of HK$0.01 each were issued at a price of HK$1.67 per share on 23 May 2011 for a total cash consideration, before related issuance expenses, of approximately HK$181,051,000. Dealings in these shares on the Stock Exchange commenced on 23 May 2011.

In connection with IPO, an over-allotment option was granted to China Merchants Securities (HK) Co., Limited, the sole global coordinator (the "Sole Global Coordinator") of the IPO, whereby the Sole Global Coordinator has the right to request the Company to issue and allot up to an aggregate of 24,374,000 additional shares of HK$0.01 each to subscribers under the IPO. On 23 May 2011, the Sole Global Coordinator exercised the over-allotment option and accordingly, 24,374,000 shares of HK$0.01 each were issued by the Company at a price of HK$1.67 per share for a total cash consideration, before related issuance expenses, of approximately HK$40,705,000. Dealings in these shares on the Stock Exchange commenced on 26 May 2011.

16. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group sub-leases a property under operating lease arrangements. The lease for this property is negotiated for a term of two years. The term of the lease also requires the tenant to pay a security deposit.

As at 30 June 2012, the Group had total future minimum lease receivables under non-cancellable operating lease of HK$3,480,000 (31 December 2011: HK$6,960,000) falling due within one year.

(b) As lessee

The Group leases certain of its shops, office premises and warehouse under operating lease arrangements. Leases for these properties are negotiated for terms ranging from one to six years.

As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) *HK\$'000*	31 December 2011 (Audited) *HK\$'000*
Within one year	**59,037**	62,534
In the second to fifth years, inclusive	**57,858**	60,473
More than five years	**–**	1,855
	116,895	124,862

17. COMMITMENTS

Other than the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2012 (Unaudited) *HK\$'000*	31 December 2011 (Audited) *HK\$'000*
Contracted, but not provided for:		
Additions of property, plant and equipment	**2,722**	69,878

18. EVENT AFTER THE REPORTING PERIOD

On 22 August 2012, Milan Station (PRC) Limited ("MS (PRC)"), an indirect wholly-owned subsidiary of the Company, entered into a shareholders' agreement (the "Shareholders' Agreement") with Star Continent Holdings Limited ("Star Continent"), an independent third party, for the proposed formation of a joint venture (the "Joint Venture"). The proposed principal business of the Joint Venture is the development of the retail market for second-hand luxury branded handbags in Chengdu, the PRC.

Pursuant to the Shareholders' Agreement, within 7 business days following the date of signing of the Shareholders' Agreement, Star Continent shall subscribe, and MS (PRC) shall procure the Joint Venture to issue, a total of 4,286 ordinary shares of the Joint Venture at the issue price of HK$1 per share, whereupon following completion of such subscription, the Joint Venture shall be held as to 70% by MS (PRC) and 30% by Star Continent. Pursuant to the Shareholders' Agreement, within 6 months following the establishment of the Joint Venture, MS (PRC) and Star Continent shall procure the Joint Venture to establish a wholly foreign-owned enterprise under the proposed business name "米蘭站商貿（成都）有限公司 (Milan Station Trading (Chengdu) Limited*)" in Chengdu, the PRC, subject to obtaining the approvals of the relevant PRC authorities, with a proposed total investment amount of RMB30,000,000 and a proposed total registered capital of RMB15,000,000.

Further details of the proposed formation of the Joint Venture were disclosed in an announcement made by the Company on 22 August 2012.

* *For identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET REVIEW

Market Overview

As affected by macroeconomic environment, 2012 is a year full of challenges. The operating environment in both Mainland China and Hong Kong was an acute test of the market's mettle in the first half. The impact of European debt crisis continued to perplex the global market and was augmented by the unpromising US economic recovery; as a result, the global financial market was volatile with external environment seeing signs of downward risk. The major regions of the Group's operation were affected by external economic factors with consumer conation dampened significantly, and the luxury goods market was hit hard. Therefore, the consumer markets in Mainland China, Hong Kong and Macau slowed down during the period under review.

Hong Kong Retail Market

Hong Kong's economic growth recorded a significant decrease over the corresponding period last year amid the uncertain external factors. The local GDP growth was 0.9% in the first half, representing a decrease of 5.4 percentage points on a year-on-year basis. Its retail market was also affected due to weakening stimulation effect of the Individual Visit Scheme to Hong Kong's retail sector, resulting in slower sales along with an overall decline of the market. In the first half of 2012, total sales of the retail sector saw an increase of only 11% over the corresponding period last year, reflecting the declining purchasing power of Mainland tourists. Even during April to June of 2012 when Hong Kong's unemployment rate was within a low level of 3.2%, the volatile stock markets have eroded consumption confidence of Hong Kong people, contributing to a slower sales in the period.

Mainland China Retail Market

As the world's second largest economy, China was also dragged down by external market conditions. Both its economic growth and retail market consumption witnessed a slowdown. According to the data of the National Bureau of Statistics, in the first half of 2012, China's GDP recorded an increase of only 7.8% over the corresponding period last year, the lowest increment in three years. Uncertainties in the economic environment has hurt the consumer confidence, in particular, the consumption markets in the first and second-tier cities. In the first half, the real estate and stock markets were volatile and the growth of overall retail and luxury goods consumption was slowing down significantly. As the China Central Government maintained its target of stable growth, which in turn mitigates some of the external influences. Therefore, China is still poised for a relatively high growth environment. Excluding the pricing factor, the disposal income per capita of urban residents increased by 9.7% in the first half of 2012. Overall, China's enormous consumption power was weakened, amidst the uncertain economic factors, even though the disposal income of the affluent sector saw continuous growth.

Macau Retail Market

In Macau, despite the uncertainties in its economy and travel business, its gambling industry was still able to develop steadily. Revenue from gambling in Macau was MOP 148.7 billion, up by 19.8% over the corresponding period last year. Macau also saw a continuous increase in visitor arrivals. The visitor arrivals reached approximately 13.6 million in the first half of 2012, a year-on-year increase of 2.5%, of which visitors from Mainland China accounted for 59.7%. Stimulated by the continuous increase in visitor arrivals, the retail industry was developing vigorously. Various large shopping centers and casinos were completed one after another, attracting international renowned brands to enter into the Macau market.

BUSINESS REVIEW

The Period under review saw a very tough operating environment, and as disclosed in the profit warning announcement made by the Company on 24 April 2012, the business operation and financial performance of the Group was significantly affected. “Milan Station” and “France Station” retail chains operated under the Group had a total of 16 shops in Hong Kong, Mainland China and Macau, with total revenue amounting to approximately HK$374.3 million, representing a year-on-year decrease of approximately 13.0%. Total revenue contributed by Hong Kong, Mainland China and Macau markets were 81.4%, 11.5% and 7.1% respectively; gross profit margins for Hong Kong, Mainland China and Macau were 21.1%, 28.9% and 30.6% respectively. As the consumer markets in Hong Kong and Mainland China were affected by general downturn of consumer sentiment in the first half of 2012, and the result of the increase in selling expenses, administrative expenses and other operating expenses, the profit of the Group recorded for the Period was only HK$386,000.

Hong Kong

In the first half of 2012, the growth of visitor arrivals in Hong Kong from Mainland China had slowed down with the impact of Individual Visit Scheme weakening, combined with a higher sales base last year, resulting a 18.4% decrease in sales of the Hong Kong operation to approximately HK$304.6 million during the reporting period.

Since the Company was successfully listed last year, its unique operation model has extensively recognised by the market and investors, and attracted many local and overseas operators to enter into this segment market, which has affected the Group to a certain extent. However, as a pioneer in the industry, the Group enjoys higher brand awareness and reputation; and the strength of its brand built up over many years has enabled the Group to maintain its advantages in the competitive industry environment. Also, the Group is committed to provide “Genuine and Certified” trendy products for its customers, for which we have formulated a series of stringent and systematic product certification programs with a team of professionally trained staff responsible for executing the product inspection process. These measures helped the Group consolidate its market position and drove its continuous growth forward.

Under the current weak consumer sentiment, the Group adjusted its product portfolio during the period, adding products more readily affordable to increase sales, such as mid-range and fast-moving products. During the reporting period, the sales amount and volume for products with prices ranging from HK$30,001 to HK$50,000 recorded an increase of 5.7% to approximately HK$16.8 million and 6.7% to 433 pieces respectively, which accounted for 5.5% of total sales of the Hong Kong retail operation. This had fully demonstrated the sound marketing sense of the management team of the Group, and highlighted their ability to cater for market changes and the changing taste and preference of consumers. Furthermore, the Group also captured the opportunities brought by the economic downturn in stocking up goods at more cost-effective prices, and had repurchased highly sought-after limited edition products (which saw solid demand) from the market, while waiting for an economic upturn.

Meanwhile, the Group reviewed and adjusted its retail shop portfolio from time to time based on changing market environment during the period, as well as optimised the sales strategy on different retail shops to maintain the business competitiveness of retail shops in different regions. To cope with the pressure of rental costs, the Group selected the sites for shops on a more stringent basis to control its rents at normal levels. As such, the Group's "France Station" retail shop at Russell Street in Causeway Bay had moved to Sharp Street East in Causeway Bay *(Note 1)* when its lease was expired in May 2012 in order to increase cost efficiency.

To enhance its brand image, consolidate its corporate reputation and market leading position, the Group has implemented diversified and multi-channel advertising and promotion strategies. The Group continues to cooperate with various banks and shops to launch credit card shopping benefits, providing various sales promotion events and discount benefits to members registered under the "Milan Station Loyalty Membership Scheme". It also stepped up marketing effort by organising promotional activities in social media networks and various media platforms, and placing advertisements in various large outdoor billboards in commercial areas with high pedestrian flow and MTR stations, to enhance its brand marketing. The Group participated in sponsoring movies and recreational activities to reach its target customers, including the "Lu Chen Magic World Tour- Hong Kong"（劉謙世界魔術巡迴之旅香港站）show, the charity movie premiere of "A Simple Life" and "Spider Man". The Group further launched discount benefits in important festivals, such as during Easter, Mother's Day and Labor Day holidays to attract target customers. As at 30 June 2012, the registered members of "Milan Station Loyalty Membership Scheme" had reached 11,824. The Group also actively participates in social welfare activities, and makes donations to the charities, including "The Community Chest" and "Hong Kong Early Psychosis Intervention Society", to fulfill its corporate social responsibility.

In order to develop the overseas markets and mitigate the overall rental pressure, the Group has started to cooperate with a major online platform operator to develop online sales platform since July last year. Its operation is becoming more and more matured with a contribution of approximately HK$2.1 million during the Period. The Group believes that the online market has a great development potential with cost effectiveness, and is actively exploring other feasible online operation models to broaden its channels of customer reach. Also, the Group hopes to provide the most fashionable branded handbags and fashion information through the online platform, to enhance the brand influence of "Milan Station". The Group has also actively explored new sales channels during the period to increase sales.

Note 1: The Group terminated the lease agreement of the "France Station" shop at Russell Street in Causeway Bay on 22 May 2012 and moved it to Sharp Street East in Causeway Bay which is more cost-effective.

Mainland China

During the reporting period, sales performance of the retail shops in Beijing was lower than the corresponding period last year, amid sluggish consumer sentiment. The Group's two Shanghai retail shops, located in Jingan District and Changning District, commenced their businesses in the second half of 2011 and were also affected by the prevailing macroeconomic environment, failing to significantly lift Mainland China sales for the Group. Total sales of the Group for the period in Mainland China region only represented an increase of approximately 30.5% over the corresponding period last year, reaching approximately HK$43.2 million. Nevertheless, the contribution of two new shops in Shanghai had successfully enlarged the proportion of total revenue from Mainland China business attributable to the total revenue for the Period of the Group. During the reporting period, the Group operated four "Milan Station" retail shops in two major cities, Beijing and Shanghai, in Mainland China *(Note 2)*.

In 2008, the Group started to develop the second-hand luxury brand market in Mainland China. Through years of efforts, the Group has grasped both the consumer behavior and consumer market conditions in Mainland China and accumulated certain experience in the procurement and sales of second-hand handbag products. Currently, it has successfully penetrated into major Mainland cities, including Beijing and Shanghai. The Group slowed down the pace of business development based on market condition during the period and adopted a cautious approach in identifying new shop locations in target cities for negotiations. The Group will continue to develop the Beijing market, given its huge potential in its luxury products market. The new shops in Wangfujing and Wangjing in Beijing are scheduled to open, respectively, in the third and fourth quarter of 2012. In addition, the Group intended to enter the Guangzhou market by the end of 2012 and open new shop in Zhujiang New Town.

To further strengthen the brand advantages of "Milan Station", the Group held various marketing initiatives in Mainland China, which can help to promote brand image and stimulating sales. The major marketing promotion activities comprised the cooperation with other renowned luxury brands, financial institutions and luxury goods websites, as well as hosting exhibition to display and sell the Group's products, in which, they will not only enhance the brand profile but also attain promotion effectiveness.

With the emergence of China's middle class and their increasing demand on brands, tastes and their consumption power will continue to benefit the retail market in China. In response to this, on 22 August 2012, the Group, through Milan Station (PRC) Limited, an indirectly wholly-owned subsidiary of the Company, had entered into an agreement with an Independent Third Party for proposed formation of a joint venture in Hong Kong, for the purpose of operating a retail shop under the brand "Milan Station" in Chengdu, poising its PRC business for further expansion, which marked a significant milestone for the Company as this is its first move into western China and an important step in the Group's PRC expansion plan.

Note 2: Beijing China Central Place retail shop and Beijing Sanlitun retail shop commenced operation in October 2008 and August 2010, respectively; Shanghai Jingan District retail shop and Changning District retail shop commenced operation in August 2011 and December 2011, respectively.

Macau

During the reporting period, the Group operated one "Milan Station" retail shop in Rua de S. Domingos, Macau. In the first half of 2012, total sales recorded by the shop were approximately HK$26.5 million, achieving a satisfactory performance with an increase of 10.9% over the corresponding period last year.

Financial Review

Revenue

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2012 and 2011 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				**Percentage change in revenue**
	2012		2011		
	HK$ million	***(Percentage of total revenue)***	*HK$ million*	*(Percentage of total revenue)*	*(%)*
By product categories (handbags and other products)					
Handbags	**367.3**	**98.1**	427.3	99.3	(14.0)
Other products	**7.0**	**1.9**	2.9	0.7	141.4
Total	**374.3**	**100.0**	430.2	100.0	(13.0)
By product categories (unused and second-hand products)					
Unused products	**217.3**	**58.1**	233.8	54.3	(7.1)
Second-hand products	**157.0**	**41.9**	196.4	45.7	(20.1)
Total	**374.3**	**100.0**	430.2	100.0	(13.0)

	For the six months ended 30 June				Percentage change in revenue
	2012		2011		
	HK$ million	***(Percentage of total revenue)***	*HK$ million*	*(Percentage of total revenue)*	*(%)*
By price range of products					
Within HK$10,000	**91.4**	**24.4**	96.5	22.5	(5.3)
HK$10,001 – HK$30,000	**61.8**	**16.5**	69.9	16.2	(11.6)
HK$30,001 – HK$50,000	**21.0**	**5.6**	18.0	4.2	16.7
Above HK$50,000	**200.1**	**53.5**	245.8	57.1	(18.6)
Total	**374.3**	**100.0**	430.2	100.0	(13.0)
By geographical locations					
Hong Kong	**304.6**	**81.4**	373.2	86.8	(18.4)
Mainland China[(1)]	**43.2**	**11.5**	33.1	7.7	30.5
Macau	**26.5**	**7.1**	23.9	5.5	10.9
Total	**374.3**	**100.0**	430.2	100.0	(13.0)

[(1)] The first and the second retail shops in Mainland China, located at China Central Place, Beijing and Sanlitun Road, Beijing, commenced its business in October 2008 and August 2010, respectively. The third and fourth retail shops in Mainland China, located at Jingan District and Changning District, Shanghai, commenced its business in August 2011 and December 2011, respectively.

Cost of sales

For the six months ended 30 June 2012, cost of sales of the Group was approximately HK$296.3 million, decreased by 8.1% year-on-year. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Along with the general downturn of consumer sentiment in both China and Hong Kong in the first half of 2012, sales of the Group were affected with both the gross profit and gross profit margin decreasing correspondingly. Furthermore, the launching of discount benefits by the Group in important festivals to attract customers for purpose of stimulating sales had also affected the overall gross profit and gross profit margin of the Group. Gross profit of the Group for the period decreased by HK$29.6 million to approximately HK$78.1 million, with its gross profit margin decreased by 4.1 percentage points to 20.9%.

By product prices breakdown, premium priced products of above HK$50,000 were significantly affected with gross profit and gross profit margin dropped by 35.5% and 4.6 percentage points respectively. High price tag handbags were hardest hit in the slowing down of luxury products market. However, gross profit margin for handbags products with price ranging from HK$30,001 to HK$50,000 was still able to maintain a stable level, with a slight increase in gross profit, reflecting the products in this price range were still in strong demand by consumers despite the tough retail environment, and able to maintain the competition edge.

The table below sets out the breakdown of the Group's gross profit and gross profit margin recorded for the six months ended 30 June 2012 and 2011 by product categories, price range of products and geographical locations:

	For the six months ended 30 June				
	2012		2011		**Change**
	Gross profit HK$ million	***Gross profit margin (%)***	*Gross profit HK$ million*	*Gross profit margin (%)*	*(%)*
By product categories (handbags and other products)					
Handbags[(1)]	**83.2**	**22.7**	109.0	25.5	(23.7)
Other products[(1)]	**1.7**	**24.3**	0.8	27.6	112.5
Less: provision for slow-moving inventories, inventories written off and other costs	**(6.8)**		(2.1)		
Total	**78.1**	**20.9**	107.7	25.0	(27.5)
By product categories (unused and second-hand products)					
Unused products[(1)]	**39.1**	**18.0**	50.0	21.4	(21.8)
Second-hand products[(1)]	**45.8**	**29.2**	59.8	30.4	(23.4)
Less: provision for slow-moving inventories, inventories written off and other costs	**(6.8)**		(2.1)		
Total	**78.1**	**20.9**	107.7	25.0	(27.5)

	For the six months ended 30 June				
	2012		2011		**Change**
	Gross profit HK$ million	***Gross profit margin (%)***	*Gross profit HK$ million*	*Gross profit margin (%)*	*(%)*
By price range of products					
Within HK$10,000[(1)]	**28.9**	**31.6**	32.5	33.7	(11.1)
HK$10,001 – HK$30,000[(1)]	**16.2**	**26.2**	18.7	26.8	(13.4)
HK$30,001 – HK$50,000[(1)]	**4.4**	**21.0**	3.7	20.6	18.9
Above HK$50,000[(1)]	**35.4**	**17.7**	54.9	22.3	(35.5)
Less: provision for slow-moving inventories, inventories written off and other costs	**(6.8)**		(2.1)		
Total	**78.1**	**20.9**	107.7	25.0	(27.5)
By geographical locations					
Hong Kong[(1)]	**64.3**	**21.1**	90.0	24.1	(28.6)
Mainland China[(1) and (2)]	**12.5**	**28.9**	12.1	36.6	3.3
Macau[(1)]	**8.1**	**30.6**	7.7	32.2	5.2
Less: provision for slow-moving inventories, inventories written off and other costs	**(6.8)**		(2.1)		
Total	**78.1**	**20.9**	107.7	25.0	(27.5)

1) *Being gross profit before the provision for slow-moving inventories, inventories written off and other costs. Accordingly, the gross profit margin is calculated as the gross profit before provision for slow-moving inventories, inventories written off and other costs divided by total revenue and multiplied by 100%.*

2) *The first and second retail shops in Mainland China, located at China Central Place, Beijing and Sanlitun Road, Beijing, commenced its business in October 2008 and August 2010, respectively. The third and fourth retail shops in Mainland China, located at Jingan District and Changning District, Shanghai, commenced its business in August 2011 and December 2011, respectively.*

Inventory analysis

The Group's total inventories as at 30 June 2012 and 31 December 2011 were approximately HK$117.0 million and approximately HK$154.2 million, respectively. The total inventories of the Group are presented 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 2012 and 31 December 2011:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**50,468**	93,184
91 to 180 days	**31,162**	40,730
181 days to 1 year	**28,408**	16,943
Over 1 year	**5,853**	2,529
Total	**115,891**	153,386

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2012 and 31 December 2011:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**265**	291
46 to 90 days	**289**	248
91 days to 1 year	**522**	235
Over 1 year	**22**	3
Total	**1,098**	777

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 2012 and 31 December 2011:

	As at 30 June 2012	As at 31 December 2011
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**24,512**	61,949
91 to 180 days	**21,200**	29,725
181 days to 1 year	**20,056**	9,416
Over 1 year	**2,830**	398
Total	**68,598**	101,488

In view of preparing for store expansion as well as the launch of a new online sales channel, the Group took a proactive step to accumulate more inventory in category with price range over HK$50,000 since the second half of 2011, leading to an increase in the inventory provision which has an impact on the Group's overall net profit. The Group is exploring and expanding sales channels with cost effectiveness and reinforcing marketing and promotion activities, so as to reduce its slow-moving inventories and increase its sales volume and profit.

Other income and gains

Other income and gains amounted to approximately HK$4.7 million, increased by HK$1.4 million as compared to corresponding period last year, this was primarily attributable to the increase of bank interest income amounting to HK$0.5 million generated in the Period and the HK$0.6 million generated from write-back of provision of a claim.

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 2012, selling expenses of the Group were approximately HK$54.1 million, representing 14.5% of its revenue (six months ended 30 June 2011: approximately HK$49.4 million, representing 11.5% of revenue). Selling expenses continued to grow during the period under review, mainly due to an increase in rent and rates of retail shops and advertising expenses.

Of the selling expenses, approximately HK$2.6 million were advertising expenses, increased by approximately HK$1.4 million as compared to the corresponding period last year, accounting for approximately 0.7% of total turnover, representing an increase of 0.4 percentage points as compared to approximately 0.3% recorded during the corresponding period last year. It was mainly attributable to the Group's active implementation of diversification and multi-channel development in advertising and promotional strategies that strengthened the brand image and sales of products, including sponsorship for movies and media publicity campaigns, as well as outdoor billboards located in central business districts with busy pedestrian traffic, etc.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2012 amounted to approximately HK$25.6 million, increased by approximately HK$7.1 million as compared to the corresponding period last year, representing approximately 6.8% of the turnover. The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank borrowings, overdrafts, and finance leases. Finance costs increased from HK$98,000 as in first half of 2011 to HK$638,000 in the current period, which was mainly attributable to the Group's interest-bearing bank borrowings financed during the Period for the acquisition of a property.

Profit attributable to equity holders

Profit attributable to equity holders of the Company for the six months ended 30 June 2012 was approximately HK$0.4 million, representing a decrease of 98.8%. Net profit margin decreased by 7.8 percentage points to 0.1% (six months ended 30 June 2011: 7.9%). Earnings per share were HK0.06 cent, decreased by 99.0% as compared to the corresponding period last year.

Employees and remuneration policy

As at 30 June 2012, the Group had a total of 161 employees. The Group's remuneration policy is 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 will be reviewed by the Board from time to time. Emoluments of directors are determined by the remuneration committee after considering the Group's operating results, individual performance and comparing with market conditions.

Liquidity and financial resources

As at 30 June 2012, the Group had total interest-bearing bank borrowings of approximately HK$38.3 million (31 December 2011: Nil). Except for the bank loan of HK$2.1 million which is denominated in Renminbi, the remaining borrowing is denominated in Hong Kong dollars. The bank loans bear interest at prevailing commercial lending rates. The Group's property were pledged to secure the bank borrowings. It is expected that the all the borrowings will be repaid by internal generated funds.

As at 30 June 2012, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$144.4 million, HK$60.0 million and HK$367.8 million respectively (31 December 2011: approximately HK$176.5 million, HK$28.3 million and HK$371.6 million respectively). The Group's gearing ratio *(Note 1)*, current ratio *(Note 2)* and quick ratio *(Note 3)* as at 30 June 2012 were approximately 9.0%, 5.1 and 3.2, respectively (31 December 2011: 0.1%, 13.0 and 7.5 respectively). Based on the Group's steady cash inflow from operations and coupled with its existing cash on hand, the Group has adequate financial resources to fund its future expansion.

Notes:

1. Gearing ratio is calculated based on the borrowings and obligations under finance leases divided by total assets at the end of the Period and multiplied by 100%.

2. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the Period.

3. Quick ratio is calculated based on the difference between the total current assets and the inventories divided by the total current liabilities as at the end of the Period.

Pledge of assets

At 30 June 2012, the Group's property and the Group's bank deposits of HK$21.6 million were pledged to banks to secure the bank borrowings and general banking facilities granted to the Group.

Foreign exchange policy

The Group carries on its trading transactions mainly in HK dollars, RMB and US dollars. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group does not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at acceptable level.

Contingent liabilities

As at 30 June 2012, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitment on property, plant and equipment amounted to approximately HK$2.7 million as at 30 June 2012.

OUTLOOK

In the second half of 2012, the turmoil in the global economy and turbulent capital markets will continue to affect consumer sentiment. The China Central Government expects that the economic growth rate of China for the year will be about 7.5%. The Group expects that the growth of the luxury products market will slow down in line with China and Hong Kong's economy, with consumption and purchasing power still remaining weak. The Group is of the opinion that the situation is only a temporary adjustment and the policy of the China Central Government to stimulate domestic consumption still remain unchanged. The Group believes that the consumer markets in Mainland China and Hong Kong will gradually improve in the future. With the emergence of China's middle class and their increasing demand on brands, tastes and their consumption power will continue to drive the high-end luxury brand handbags market and sales business in different regions in the long run. Moreover, the Group expects that the various economic and business policies will remain relatively stable and that market condition will improve in the second half. As a result, with the steady growing momentum of China's economic development remaining unchanged, the Groups remains cautiously optimistic regarding the economic outlook in the second half of the year.

Development Strategy

In the future, the Group will continue to build on the target of consolidating its leading market position in Hong Kong, with the core development strategy of prudently developing the markets in Mainland China. In facing the weak economic environment and consumer markets, the management is aware that the luxury products retail markets might encounter with many difficulties. The Group is well prepared to cope with the challenges in the second half. As these adverse factors are expected to continue affecting the global economy, the Group will closely monitor the market conditions to refine its positioning.

As the Group's principal place of business, Hong Kong contributes most of the Group's revenue. The competition in the "second-hand branded" product market is intensifying in Hong Kong. In light of the future challenges, the Group will consolidate its competitiveness and leading position in Hong Kong luxury products market through optimising the existing retail shop portfolio, exploring and expanding sales channels with cost effectiveness, reinforcing marketing and promotion activities, and improving the marketing strategies based on consumption characteristics in different regional markets. As a pioneer being successfully aware of modern city life model and changing fashion trend, the Group will identify more popular mid-range and fast-moving products for its customers suiting consumers' ever-changing tastes, so as to increase its sales volume and profits. In facing the changing market environment, the Group will grasp the market opportunities that arise and pursue business opportunities with development potential. The Group will also make other new attempts in the core business of the second-hand luxury branded handbags, to enhance its competitiveness in the second-hand luxury branded handbags market in Hong Kong.

For the market in Mainland China, the Group's successful experience in developing the retail business in Beijing and Shanghai has consolidated its confidence in expanding Mainland China market. The sales network of the Group will continue to expand into the core business districts in Beijing and Shanghai, and the Group will identify other Mainland cities with growth potential to prudently expand the Group's second-hand branded handbags business. The Group will prudently identify the locations of new stores, and focus mainly in cities with relatively higher per capita income and consumption power, particularly premier business areas in cities where many international brands have already established their presence. In the meantime, the Group will also step up its efforts in brand promotion in Mainland China. Currently, the Group has enjoyed relatively high brand recognition in cities such as Beijing and Shanghai. The Group will continue to deepen the Mainland consumers' understanding and acceptance of "second-hand branded" products through active media public relations, market promotion activities and marketing consumption education etc. While expanding the Group's potential customer base, this will also lay a good foundation for the Group's expansion into other cities in Mainland China.

Furthermore, the Group will actively expand the internet sales platform business by fully leveraging on the advantage of the no-boundaries characteristic of the online sales platform, which it will enable the Group to expand its market share and sales at lower operating costs. Apart from continuing cooperation with website operators, the Group is continuously exploring the feasibility of developing its own online purchasing platform to enhance its brand value and website management flexibility. At the same time, the Group will continue to enrich product portfolios of the online sales operation to cater for the consumer needs in different markets. Moreover, the Group will capture the opportunities under the current economic environment to be prepared in purchasing products with limited editions and with appreciation potential at competitive prices so as to sell them when economy upturns in the future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Listing, after deduction of related issuance expenses, amounted to approximately HK$202.7 million. Up to 30 June 2012, approximately HK$88.3 million has been utilised, of which (i) HK$41.7 million was applied for expansion of retail network in Mainland China market; (ii) HK$3.3 million was applied for relocating a total of three existing shops in Hong Kong; redecorating a total of eight existing shops in Hong Kong, Mainland China and Macau; and decorating one new retail shop in Hong Kong; (iii) HK$2.7 million was applied for marketing and promotion of the Group; (iv) HK$2.4 million was applied for exploration of online sales channel; (v) HK$0.6 million was applied for upgrade of the Group's information technology system; (vi) HK$0.1 million was applied for staff training and development; and (vi) HK$37.5 million was applied for acquisition of a property for own use.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2012, the Company had complied with all applicable provisions under the Code on Corporate Governance Practices (the "Code") (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") save as disclosed below.

Code provision A.2.1 of the Code requires the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Yiu Kwan Tat ("Mr. Yiu") is the chairman and the chief executive officer of the Company. The Board believes that this structure of having Mr. Yiu acting as both the chairman and the chief executive officer of the Group is conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure will not impair the balance of power and authority between the Board and the management of the Group as the balance of power and authority is ensured by the operation of the Board, which comprises experienced and high caliber individuals who will meet regularly to discuss issues affecting operation of the Group. The Board has full confidence in Mr. Yiu and believes that his appointment to the posts of the chairman as well as the chief executive officer is beneficial to the business prospects of the Group.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2012.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2012 with management.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: interim dividend and special dividend of HK1.52 cents and HK1.27 cents per ordinary share, respectively).

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2012 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company respectively and copies will be dispatched to shareholders of the Company in due course.

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

Hong Kong, 30 August 2012

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat, Mr. YIU Kwan Wai, Gary, Mr. WONG Hiu Chor and Ms. YIU Sau Wai, as executive Directors; Mr. TAM B Ray, Billy and Mr. YUEN Lai Yan, Darius as non-executive Directors; and Mr. IP Shu Kwan, Stephen, Mr. SO, Stephen Hon Cheung and Mr. LAU Kin Hok as independent non-executive Directors.