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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)**

### **FRANCHISE AGREEMENT**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions.

The Company is pleased to announce that on 27 June 2013, the Company, through Milan Station (Singapore), being an indirect wholly-owned subsidiary of the Company, as Franchisor, entered into the Franchise Agreement with the Franchisee under which the Franchisor shall grant and provide the Franchisee with conditional exclusive rights, licence and franchise to operate the Business in Singapore in accordance with the terms and conditions of the Franchise Agreement. Mr. Chiang of the Franchisee has, on the same date, provided a guarantee in favour of the Franchisor to guarantee the payment of any sum of money due to the Franchisor by the Franchisee under the Franchise Agreement and to indemnify the Franchisor for any failure of performance of the Franchisee's obligations thereunder up to a specified aggregate amount in accordance with the terms of the Franchise Agreement.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

This announcement is made by the Company pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions.

## **BACKGROUND INFORMATION**

The Company is pleased to announce that on 27 June 2013, the Company, through Milan Station (Singapore), being an indirectly wholly-owned subsidiary of the Company, as Franchisor, entered into the Franchise Agreement with the Franchisee under which the Franchisor shall grant and provide the Franchisee with conditional exclusive rights, licence and franchise to operate the Business in Singapore in accordance with the terms and conditions of the Franchise Agreement.

## **THE FRANCHISE AGREEMENT**

**Date** : 27 June 2013

### **Parties**

**Franchisor** : Milan Station Luxury Pte. Limited, an indirect wholly-owned subsidiary of the Company

**Franchisee** : M C Holdings Pte. Ltd.

Mr. Chiang of the Franchisee has, on the same date, provided a guarantee in favour of the Franchisor to guarantee the payment of any sum of money due to the Franchisor by the Franchisee under the Franchise Agreement and to indemnify the Franchisor for any failure of performance of the Franchisee's obligations thereunder up to a specified aggregate amount in accordance with the terms of the Franchise Agreement. To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, the Franchisee and its ultimate beneficial owners including Mr. Chiang, are Independent Third Parties.

### **The Rights:**

Pursuant to the Franchise Agreement, the Franchisor shall grant and provide the Franchisee with conditional exclusive rights, licence and franchise to operate the Business in Singapore in accordance with the terms and conditions of the Franchise Agreement. Upon opening of the first shop and second shop for business in accordance with the terms and conditions of the Franchise Agreement, the rights, licence and franchise to operate the Business granted shall become exclusive to the Franchisee in Singapore.

**Franchise Term:**

The term of the franchise pursuant to the Franchise Agreement (the “**Franchise Term**”) shall be for a period of three (3) years commencing from the date of the Franchise Agreement unless earlier terminated in accordance with the terms of the Franchise Agreement. The Franchisor may grant to the Franchisee an extension to extend the Franchise Term for a further three (3) years subject to the terms and conditions as stipulated in the Franchise Agreement.

**Profit Sharing:**

Under the Franchise Agreement, among other terms, the Franchisor shall be entitled to 40% of the profit of any of the goods sold (which is the sale price of the item of the good sold (net of any tax levied thereon) less the cost price of such item) and the Franchisee shall be entitled to the remaining 60% of such profit (the “**Profit Sharing Arrangements**”). Under the Franchise Agreement, the Franchisor shall supply a stock of goods to the Franchisee, according to the Franchisor’s selling price list, for sale at the retail stores of the Franchisee. The brand, style, cost price, selling price and quantity of such goods shall be designated by the Franchisor in consultation with the Franchisee. The Franchisee shall sell the goods in accordance with the terms and conditions of the Franchise Agreement.

The terms of the Profit Sharing Arrangements were reached based on arm’s length negotiations between the Franchisor on behalf of the Company and the Franchisee taking into account the market potentials of Singapore.

**INFORMATION ON THE COMPANY, FRANCHISOR AND FRANCHISEE**

The principal business of the Company is investment holding and the principal business of the Franchisor is retail. The Group is principally engaged in the retail of unused and second-hand luxury branded handbags and apparel products in Hong Kong, the PRC and Macau under the brand names of “Milan Station” and “France Station”.

The principal business of the Franchisee is retail.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE FRANCHISE AGREEMENT**

The Directors are of the view that with the demand for luxury brands and the high standard of living among the population of Singapore, the consumption power in that region of the world is expected to continue to promote the development of the sales of luxury handbags in Singapore. The Directors consider that the Franchise Agreement would enable the Group to tap into this market by setting up shops under a well-established brand name and would enable the sales network of the Group to penetrate into Singapore. Mr. Chiang, who is a director of the Franchisee and holds 65% of the shareholding in the Franchisee as at the date of this announcement, possesses local retail knowledge and experience in Singapore. As such, the franchise arrangements under the Franchise Agreement would generate an additional source of income to the Group. The Directors take the view that the terms of Franchise Agreement are of normal commercial terms, fair and reasonable and the entering into of the Franchise Agreement is in the interests of the Company and its shareholders as a whole.

**Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## **DEFINITIONS**

In this announcement, unless the context requires otherwise, the following expressions have the following meanings:

“Board”	The board of Directors
“Business”	the obtaining of a franchise from the Franchisor to open and operate two shops under the Trade Marks/Trade Names utilizing the System in accordance with the terms and conditions of the Franchise Agreement
“Company”	Milan Station Holdings Limited 米蘭站控股有限公司, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange

“Connected person(s)”, “subsidiary(ies)”	each of which has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Franchise Agreement”	the conditional franchise agreement dated 27 June 2013 entered into between Milan Station (Singapore) and the Franchisee
“Franchisee”	M C Holdings Pte. Ltd., a company incorporated in Singapore with limited liability, an Independent Third Party
“Franchisor” or “Milan Station (Singapore)”	Milan Station Luxury Pte. Limited, a company incorporated in Singapore with limited liability and which is indirectly wholly-owned by the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party who, together with its ultimate beneficial owner(s), is not a connected person of the Company and is also independent of the Company and its connected persons
“Inside Information Provisions”	the provisions under Part XIVA of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Chiang”	Mr. Chiang Meng Chan, an Independent Third Party who is a director of the Franchisee and holds 65% of the shareholding in the Franchisee as at the date of this announcement
“PRC”	the People’s Republic of China, except where the context requires, geographical references in this announcement to the PRC exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“System”	the right to use the method and operation know-how of the business of the Franchisor in accordance with the terms and conditions of the Franchise Agreement
“Trade Marks/Trade Names”	all trademarks and trade names and rights of the Franchise set out in the Franchise Agreement, including the trade name “MILAN STATION (米蘭站)” that shall be used as stipulated under the terms and conditions of the Franchise Agreement
“%”	per cent.

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

Hong Kong, 27 June 2013

*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. SO, Stephen Hon Cheung, Mr. FAN Chun Wah, Andrew and Mr. MUI Ho Cheung, Gary as independent non-executive Directors.*