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 2014

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$329.3 million, representing a slightly increase of 0.2% from approximately HK$328.5 million for the corresponding period last year.

- Gross profit was approximately HK$73.8 million, representing an increase of 7.3% from approximately HK$68.8 million for the corresponding period last year.

- Other income was approximately HK$0.1 million, representing a decrease of 98.0% from approximately HK$4.9 million for the corresponding period last year. It was mainly attributable to the termination of a sub-letting operating lease arrangements.

- Selling expenses was approximately HK$66.7 million, representing an increase of 17.0% of approximately HK$57.0 million for the corresponding period last year. Selling expenses continued to grow during the period under review, mainly due to increase in advertising expenses for promotion, rental expenses of retail shops, and commission paid to the company who run the exclusive clubhouses in Macau.

- Loss for the period was approximately HK$19.8 million, representing an increase of 90.4% from approximately HK$10.4 million for the corresponding period last year.

- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014.

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 2014 (the "Period") together with the comparative figures for the corresponding period in 2013 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 STATEMENT OF PROFIT OR LOSS

	Notes	**For the six months ended 30 June 2014 (Unaudited) HK$'000**	2013 (Unaudited) HK$'000
REVENUE	*5*	**329,314**	328,502
Cost of sales		**(255,471)**	(259,653)
Gross profit		**73,843**	68,849
Other income and gains	*5*	**101**	4,890
Selling expenses		**(66,661)**	(57,017)
Administrative and other operating expenses		**(25,028)**	(25,837)
Finance costs	*6*	**(479)**	(747)
LOSS BEFORE TAX	*7*	**(18,224)**	(9,862)
Income tax	*8*	**(1,550)**	(492)
LOSS FOR THE PERIOD		**(19,774)**	(10,354)
Attributable to:			
Equity holders of the Company		**(19,306)**	(10,315)
Non-controlling interests		**(468)**	(39)
		(19,774)	(10,354)
LOSS PER SHARE			
– Basic and diluted	*9*	**HK(2.9 cents)**	HK(1.5 cents)

Details of dividends payable to equity holders 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
LOSS FOR THE PERIOD	**(19,774)**	(10,354)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences arising on translation of foreign operations	**133**	348
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(19,641)**	(10,006)
Attributable to:		
Equity holders of the Company	**(19,173)**	(9,979)
Non-controlling interests	**(468)**	(27)
	(19,641)	(10,006)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014 (Unaudited) HK$'000**	31 December 2013 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**97,380**	95,026
Deferred tax assets		**574**	574
Deposits		**13,784**	22,912
Total non-current assets		**111,738**	118,512
CURRENT ASSETS			
Inventories		**161,971**	149,250
Trade receivables	*11*	**10,605**	10,712
Prepayments, deposits and other receivables		**16,097**	18,228
Tax recoverable		**1,364**	1,958
Pledged deposits		**1,000**	1,000
Cash and cash equivalents		**50,204**	81,302
Total current assets		**241,241**	262,450
CURRENT LIABILITIES			
Trade payables	*12*	**730**	–
Accrued liabilities and other payables		**19,770**	27,975
Interest-bearing bank borrowings	*13*	**25,651**	26,808
Obligations under a finance lease		**116**	114
Tax payable		**2,408**	1,587
Total current liabilities		**48,675**	56,484
NET CURRENT ASSETS		**192,566**	205,966
TOTAL ASSETS LESS CURRENT LIABILITIES		**304,304**	324,478

	Notes	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
NON-CURRENT LIABILITIES			
Accrued liabilities and other payables		**437**	911
Obligations under a finance lease		**404**	463
Deferred tax liability		**322**	322
Total non-current liabilities		**1,163**	1,696
Net assets		**303,141**	322,782
CAPITAL AND RESERVES			
Issued capital	*14*	**6,744**	6,744
Reserves		**293,088**	312,261
Total equity attributable to equity holders of the Company		**299,832**	319,005
Non-controlling interests		**3,309**	3,777
Total equity		**303,141**	322,782

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 Units 1-3, 4/F, Tower 1, South Seas Centre, No. 75 Mody Road, Kowloon, Hong Kong.

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

2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 20 August 2014.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 judgements, 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.

These unaudited condensed consolidated financial statements contain selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The unaudited condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

The HKICPA has issued the following amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company:

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC)-Int 21 "*Levies*"

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial statements as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial statements as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash generating unit ("CGU") whose recoverable amount is based on fair value less costs of disposal. The adoption of the amendments does not have an impact on the Group's interim financial statements as the Group has no impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal.

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial statements as the Group has not novated any of its derivatives.

HK(IFRIC)-Int 21, "Levies"

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial statements as the guidance is consistent with the Group's existing accounting policies.

4. OPERATING SEGMENT INFORMATION

The Group's principal 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 locations of customers, and the non-current assets information is based on the locations of the assets.

	Hong Kong HK\$'000	**Macau HK\$'000**	**Mainland China HK\$'000**	**Singapore HK\$'000**	**Total HK\$'000**
For the six months ended 30 June 2014					
Revenue from external customers	**238,896**	**55,183**	**27,348**	**7,887**	**329,314**
Non-current assets	**90,075**	**161**	**8,802**	**–**	**99,038**
Capital expenditure	**151**	**152**	**7,469**	**–**	**7,772**

	Hong Kong HK\$'000	Macau HK\$'000	Mainland China HK\$'000	Singapore HK\$'000	Total HK\$'000
For the six months ended 30 June 2013					
Revenue from external customers	261,644	34,863	31,995	–	328,502
Non-current assets	95,503	66	5,741	–	101,310
Capital expenditure	6,184	12	2,228	–	8,424

The non-current asset information excludes financial instruments and deferred tax assets.

Information about major customers

No customer of the Group has individually accounted for over 10% of the Group's total revenue during the Period (six months ended 30 June 2013: 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	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of goods	**329,314**	328,502
Other income and gains		
Bank interest income	**34**	676
Gross rental income	**–**	4,200
Others	**67**	14
	101	4,890
	329,415	333,392

6. FINANCE COSTS

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on:		
Bank overdrafts	**1**	–
Bank loans wholly repayable:		
Within five years	**42**	109
Over five years	**427**	635
Finance lease	**9**	3
	479	747

7. LOSS BEFORE TAX

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(a) Staff costs (excluding Directors' remuneration)		
Contributions to defined contribution retirement plans	**544**	529
Salaries, wages and other benefits	**18,714**	15,137
	19,258	15,666
(b) Other items		
Cost of inventories sold	**255,471**	259,653
Provision for slow-moving inventories	**2,261**	–
Depreciation	**3,928**	5,421
Minimum lease payments under operating leases in respect of land and buildings	**34,630**	35,924
Write-off/loss on disposal of items of property, plant and equipment	**1,490**	1

8. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period ended 30 June 2014. During the period ended 30 June 2013, no provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates.

Pursuant to the Corporate Income Tax Law (the "PRC Tax Law") of the Peoples' Republic of China (the "PRC") being effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the Period was 25% (six months ended 30 June 2013: 25%) on their taxable profits. Macau complementary tax has been provided at progressive rates up to a maximum of 12% (six months ended 30 June 2013: 12%) on the estimated taxable profits.

	For the six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current charge for the period		
– Hong Kong	**618**	–
– Elsewhere	**932**	492
Total tax charge for the period	**1,550**	492

9. LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the parent of HK$19,306,000 (six months ended 30 June 2013: HK$10,315,000) and the weighted average of 674,374,000 ordinary shares (six months ended 30 June 2013: 674,374,000 ordinary shares) in issue during the Period.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2013: Nil), nor has any dividend been proposed since the end of the reporting period.

11. 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.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Within 1 month	**9,361**	10,337
1 to 2 months	**282**	375
2 to 3 months	**659**	–
Over 3 months	**303**	–
	10,605	10,712

12. TRADE PAYABLES

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

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Within 1 month	**730**	–

13. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	**30 June 2014 (Unaudited)**	31 December 2013 (Audited)
	(%)		**HK$'000**	HK$'000
Current				
Bank loan – secured	3.25	On demand		
	(31 December 2013: 3.25)		**25,651**	26,808

As at 30 June 2014, the interest-bearing borrowing is denominated in Hong Kong dollars.

The Group's secured bank loan in the amount of HK$25,651,000 (31 December 2013: HK$26,808,000) as at 30 June 2014 containing a repayment on demand clause and accordingly is included within current interest-bearing bank borrowings and analysed into bank loans payable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are: HK$2,367,000 (31 December 2013: HK$2,329,000) repayable within one year or on demand as at 30 June 2014; HK$2,443,000 (31 December 2013: HK$2,406,000) repayable in the second year as at 30 June 2014; HK$7,830,000 (31 December 2013: HK$7,703,000) repayable in the third to fifth years, inclusive, as at 30 June 2014; and HK$13,011,000 (31 December 2013: HK$14,370,000) repayable beyond five years as at 30 June 2014.

All borrowings of the Group bear interest at floating interest rates for the six months ended 30 June 2014.

As at 30 June 2014, the bank loan facilities were supported by:

(i) the pledge of the Group's land and building with a carrying amount of HK$76,922,000 (31 December 2013: HK$77,313,000);

(ii) a corporate guarantee executed by the Company and a subsidiary of the Company to the extent of HK$67,000,000 (31 December 2013: HK$67,000,000); and

(iii) the pledge of bank deposits of HK$1,000,000 (31 December 2013: HK$1,000,000).

14. SHARE CAPITAL

	30 June 2014 (Unaudited) HK'000	31 December 2013 (Audited) 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 (31 December 2013: 674,374,000) ordinary shares of HK$0.01 each	**6,744**	6,744

15. OPERATING LEASE ARRANGEMENTS

As lessee

The Group is the lessee in respect of a number of shops, office premises and warehouse under operating leases. The leases typically run for an initial period of one to six years, at the end of which period all terms are renegotiated.

As at 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Within one year	**75,991**	71,009
In the second to fifth years, inclusive	**93,306**	115,755
More than five years	**2,396**	9,542
	171,693	196,306

16. CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN AN INTERIM FINANCIAL STATEMENTS

	30 June 2014 (Unaudited) HK$'000	31 December 2013 (Audited) HK$'000
Contracted, but not provided for:		
Additions of property, plant and equipment	**587**	4,574

17. EVENT AFTER THE REPORTING PERIOD

On 11 July 2014, the Company granted 28,865,000 share options to the Directors, the chief executive officer and certain employees of the Company (the "Grantees") pursuant to the Company's share option scheme adopted on 28 April 2011. The share options give the Grantees the right to subscribe for ordinary shares of the Company at an exercise price of HK$0.616 per ordinary share. Details of the share options granted are set out in an announcement of the Company dated 11 July 2014.

18. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 20 August 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

In the first half of 2014, the U.S. Federal Reserve Board started to taper off its quantitative easing in January, making the global financial markets more volatile. In Europe, the economy continued its slow recovery. As uncertainties persisted in the global economy, consumer sentiments in Hong Kong and Mainland China were dampened, as evidenced by the continuing slowdown in the retail market for luxury products. Among the four regions where the Group has retail business operations, its retail business operations in Hong Kong and Mainland China were more affected by the external unfavorable economic factors. This impacted on the performance of the Group's high-end handbag retail business to a certain extent.

Hong Kong's Retail Market

In the first quarter of 2014, Hong Kong's economy continued a slight growth, with its gross domestic products (GDP) going up by 2.5% year on year. Nevertheless, its retail market growth continued to slow down. The information from the Hong Kong Census & Statistics Department have shown decreases in the indexes for the value and volume of retail sales of jewellery, watches and clocks, and valuable gifts. During the Period, although the growth in total number of visits by mainland tourists to Hong Kong maintained momentum, the percentage of the mainland tourists who came from the country's second and third-tier cities, had weak spending power, and were on the same-day return trips, had increased. This led to a substantial decrease in the average spending power of the mainland tourists. Meanwhile, the overall consumption habit of the mainland visitors under the Individual Visit Scheme had changed, with their interest shifting to mid-range and low-priced brands and products, such as cosmetics, clothing and shoes. As a result, the demand for luxury goods continued to shrink during the Period and this exerted greater pressure on the luxury handbag industry.

Mainland China's Retail Market

China's GDP growth rate was 7.4% in the first half of 2014 when compared to that in the same period last year, indicating that the country's economy is exiting the high-growth stage. The market for luxury goods shrank despite the continuing improvement in the consumer's overall spending power. In the major cities, consumer's attitude towards luxury goods has changed. Total retail sales of consumer goods for the first six months of 2014 grew by 12.1% year on year to approximately RMB12.4 trillion, representing a 0.6 percentage point lower growth rate when compared to that in the same period last year.

Macau's Retail Market

Although Macau's economy was also affected by the macroeconomic environment, it's the city's gaming and tourism industries achieved a stable growth and continued to drive its overall economy. The overall revenue from gaming in Macau was approximately MOP193.1 billion in the first half of 2014, up by 12.6% over the same period last year. The city also saw a continuous increase in visitor arrivals. Visitor arrivals increased by 8% year-on-year to approximately 15.3 million in the first half of 2014, with Mainland China accounting for 15% of the total. Stimulated by the continuous increase in visitor arrivals to Macau, the retail sector continuously blossomed. While the construction of five-star hotels, large shopping centers and casinos were completed one after the other and more high-end consumers and more international brands were attracted to Macau, the development of the luxury goods sector continued its steady development.

BUSINESS REVIEW

During the Period, the uncertainties in the global economy and the economic slowdown in China and Hong Kong made consumers more cautious about spending on luxury goods in the regions where the Group had major operations. As a result, its business continued to face severe challenges. To cope with the subdued market sentiment, the Group managed to sustain its operation and further development by consolidating its conventional retail network, vigorously diversifying its sales channels, optimizing its product mix and introducing more mid-priced consumer products and fast-moving products into its offerings.

During the Period, the Group's total revenue amounted to approximately HK$329.3 million, slightly up by approximately 0.2% over the same period last year; and the Group's loss amounted to approximately HK$19.8 million (for the six months ended 30 June 2013: loss of approximately HK$10.4 million). Revenues contributed by markets in Hong Kong, Mainland China and Macau accounted for 72.5%, 8.3% and 16.8% respectively of the Group's total revenue while other markets (including Singapore) contributed 2.4%. Gross profit margins of the Group's operations in Hong Kong, Mainland China, Macau and Singapore were 19.3%, 20.5%, 35.8% and 29.5% respectively.

Hong Kong

Since its establishment, the Group has all along led the industry in the development of a trading platform for luxury brand handbags. With its unique and up-to-date business model, the Group has already established an excellent reputation and raised awareness of its brands over the years. The Group adhered to the principle of providing genuine and certified products for its customers, and has formulated a series of stringent and systematic product certification programmes and has formed a team of professionally trained staff responsible for executing the product inspection process. With these measures, the Group has been able to maintain its leading market position and advantages in the industry, and drive its business growth despite the adverse operating environment.

During the period under review, sales at the Group's Hong Kong business decreased by 8.7% over the same period last year to approximately HK$238.9 million. The revenue was derived from a total of seven "Milan Station" retail stores in Hong Kong, its online sales platforms which were jointly operated with other partners and directly managed by the Group, and the sales of products in other new sales channels.

In response to the changes in the macroeconomic environment and consumers' buying pattern, the Group continued to adjust its product mix and focused its marketing efforts on mid-price range and fast-moving products to satisfy consumers' current demand. Products in the price range of HK$10,001 to HK$30,000 accounted for 22.4% of the Group's total sales in Hong Kong during the Period, up from 21.7% in the same period last year. Products in the price range of HK$30,001 to HK$50,000 accounted for 7.6% of the Group's total sales in Hong Kong during the Period, a change from the 6.3% in the same period last year.

The rent of Hong Kong's retail shops began to drop in the second quarter of 2014, but the retail sector still continued to face the pressure brought by rent costs. The Group focused on expanding its more cost-efficient sales channels during the Period. For instance, it cooperated with a large online platform operator to sell the Group's products, and directly managed and operated an online shop (www.milanstation.net), with the aim of mitigating the pressure from the operating costs, especially the rents. With active promotional and marketing campaigns, the Group saw both the traffic and revenues of its online shopping platform increase steadily. This enabled the Group to gain access to new consumers of different age groups and with different buying habits. During the Period, the Group achieved a stable performance in overall online sales, which contributed approximately HK$6.3 million in sales value, up by 3.3% year on year. As consumers increasingly trust online shopping, the Group will continue to optimise its online product mix. It will provide more in-season and hot-selling products for customers, and introduce more mid-range and high-priced products to improve the performance of its online shopping business.

In addition, the Group was actively exploring other innovative sales channels to mitigate the negative impact of Hong Kong's rising rental costs on the Group. Currently, the Group operated sales counters on four cruises to sell mid-priced products. The sales counters registered approximately HK$7.5 million in sales together in the first half of 2014. The results were satisfactory.

To consolidate its brand image, corporate reputation and leading market position continuously, the Group has adopted a strategy of diversified and multi-channel advertising and promotion. The Group continued to cooperate with various banks, hotels and retail partners to provide credit card shopping benefits, host various sales promotional events and offer sales discounts to members registered under the "Milan Station Loyalty Membership Scheme". To date, there are 15,774 members registered. On the other hand, the Group continued to conduct promotional activities through various traditional media channels, including television and magazines, and placed various outdoor billboard advertisements in commercial districts with high pedestrian traffic, MTR stations and various means of public transports to make its brand widely known to different consumer groups and attract more potential customers. The Group also placed advertisements on the social media platforms and search engines, and cooperated with various popular local and overseas websites to develop its online shopping business. The Group also sponsored the fashion show by the graduates of the School of Design of The Hong Kong Polytechnic University as a way to demonstrate its commitment to corporate social responsibility and provide a development platform for young designers, thereby building up the image of "Milan Station" as a leading brand of fashion and trend.

Mainland China

The economic development in China continued to slow down during the first half of 2014. Moreover, there was an increasing number of mainland visitors opting to purchase branded luxury products either directly from Europe during long vacation or do so online, the Group's retail shops in China took a hit in their sales of high-priced products. The Group's businesses in China recorded a decrease of 14.7% year on year in sales to approximately HK$27.3 million, which accounted for approximately 8.3% of the Group's overall sales. The revenues were contributed by its three "Milan Station" stores in two major cities, Beijing and Shanghai, as well as the sales of products on the Group's online shopping platform in China (www.milanstation.cc).

During the first half of 2014, the Group's mega flagship store of Milan Station at China Central Place, Beijing commenced its business in April, and sales performance up to date was slightly less favourable than expected. Nevertheless, the flagship store will help improve the Group's brand image in China. The Group has also been preparing for expansion into other cities in China outside Beijing and Shanghai. The work is in full swing, and the Group will identify potential joint venture or consignment management partners who would be able to enhance Milan Station's market presence in China.

The Group formed a joint venture with J&C (Asia) Limited, which is engaged in the online procurement and sales of unused and second-hand luxury branded handbags and apparel products under the brand name and trademark of "Milan Station". The joint venture was still at its development stage from January to April of 2014 and was duly put into operation in May. The single-month sales growth at the end of the first half of 2014 was satisfactory, demonstrating that the collection of brand new goods and the sales channel were well-received by consumers.

Macau

The Group's business in Macau performed satisfactorily during the Period. For the six months ended 30 June 2014, the operation there benefited from the development of the city's gaming and tourism sectors, and recorded a year-on-year increase of 58.2% in sales to approximately HK$55.2 million. The growth was mainly attributable to the sales of the Group's high-priced products, which targeted those customers with high spending power, in exclusive clubhouses in Macau. In addition, the "Milan Station" retail shop in Rua de S. Domingos, Macau also reported solid sales results during the Period.

Overseas Market

The Group's first branch outside China, Hong Kong and Macau was launched in Orchard Road, Singapore. For the six months ended 30 June 2014, the shop achieved revenue of approximately HK$7.9 million, representing approximately 2.4% of the Group's total revenue for the Period. In order to satisfy the demand for new mid-range and high-priced goods in the local market, the Group will continue to actively explore the possibility of establishing other branches with its partners in Singapore.

FINANCIAL REVIEW

Revenue

During the Period, total revenue increased to approximately HK$329.3 million, representing an increase of 0.2% as compared to approximately HK$328.5 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 99.2% of the total revenue of the Group. The revenue generated from the sales of unused products increased from approximately HK$186.0 million recorded in the corresponding period last year, representing 56.6% of the total revenue of the Group, to approximately HK$218.0 million during the Period, representing 66.2% 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 2014, the revenue generated from the Hong Kong market was approximately HK$238.9 million, representing approximately 72.5% of the total revenue of the Group for the Period. Revenue generated from Mainland China market decreased from approximately HK$32.0 million during the corresponding last year to approximately HK$27.3 million during the Period. Revenue generated from Macau market increased from approximately HK$34.9 million during the corresponding last year to approximately HK$55.2 million during the Period.

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2014 and 2013 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				
	2014		2013		
		Percentage of total revenue		Percentage of total revenue	**Percentage change in revenue**
	HK$ million	**%**	HK$ million	%	**%**
By product categories (handbags and other products)					
Handbags	**326.8**	**99.2**	323.9	98.6	0.9
Other products	**2.5**	**0.8**	4.6	1.4	(45.7)
Total	**329.3**	**100.0**	328.5	100.0	0.2
By product categories (unused and second-hand products)					
Unused products	**218.0**	**66.2**	186.0	56.6	17.2
Second-hand products	**111.3**	**33.8**	142.5	43.4	(21.9)
Total	**329.3**	**100.0**	328.5	100.0	0.2
By price range of products					
Within HK$10,000	**66.9**	**20.3**	81.9	24.9	(18.3)
HK$10,001 – HK$30,000	**69.9**	**21.2**	71.7	21.8	(2.5)
HK$30,001 – HK$50,000	**20.9**	**6.4**	19.3	5.9	8.3
Above HK$50,000	**171.6**	**52.1**	155.6	47.4	10.3
Total	**329.3**	**100.0**	328.5	100.0	0.2
By geographical locations					
Hong Kong	**238.9**	**72.5**	261.6	79.6	(8.7)
The PRC	**27.3**	**8.3**	32.0	9.8	(14.7)
Macau	**55.2**	**16.8**	34.9	10.6	58.2
Singapore[1]	**7.9**	**2.4**	–	–	N/A
Total	**329.3**	**100.0**	328.5	100.0	0.2

[1] The first branch in Orchard Road, Singapore was opened in July 2013.

Cost of sales

For the six months ended 30 June 2014, cost of sales of the Group was approximately HK$255.5 million, decreased by 1.6% year-on-year. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the Period under review increased by HK$5.0 million to approximately HK$73.8 million, with its gross profit margin increased slightly by 1.4 percentage points to 22.4%. Provision for slow-moving inventories included in cost of sales for the six months ended 30 June 2014 increased by approximately HK$2.3 million.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 19.3 %, 20.5 % and 35.8 %, respectively (six months ended 30 June 2013: 19.0%, 24.7% and 31.9%, respectively).

Inventory analysis

The Group's total inventories as at 30 June 2014 and 31 December 2013 were approximately HK$162.0 million and HK$149.3 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 2014 and 31 December 2013:

	As at 30 June 2014 HK'000	As at 31 December 2013 HK'000
Aging of inventories (handbags products)		
0 to 90 days	**76,700**	77,934
91 to 180 days	**41,177**	38,216
181 days to 1 year	**34,462**	31,128
Over 1 year	**8,172**	631
Total	**160,511**	147,909

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2014 and 31 December 2013:

	As at 30 June 2014 HK'000	As at 31 December 2013 HK'000
Aging of inventories (other products)		
0 to 45 days	**511**	225
46 to 90 days	**316**	254
91 days to 1 year	**608**	860
Over 1 year	**25**	2
Total	**1,460**	1,341

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 2014 and 31 December 2013:

	As at 30 June 2014 HK'000	As at 31 December 2013 HK'000
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**38,373**	40,795
91 to 180 days	**24,635**	16,419
181 days to 1 year	**14,427**	13,451
Over 1 year	**3,870**	–
Total	**81,305**	70,665

Other income and gains

Other income and gains amounted to approximately HK$0.1 million, significantly decreased by HK$4.8 million as compared to the corresponding period last year. It was mainly attributable to the termination of a sub-letting operating lease arrangements.

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 2014, selling expenses of the Group were approximately HK$66.7 million, representing 20.3% of its revenue (six months ended 30 June 2013: approximately HK$57.0 million, representing 17.4% of revenue). Selling expenses continued to grow during the period under review, mainly due to an increase in advertising expenses for promotion, rental expenses for retail shops and commission paid to the company who run the exclusive clubhouses in Macau.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2014 amounted to approximately HK$25.0 million, slightly decreased by approximately HK$0.8 million as compared to the corresponding period last year, representing approximately 7.6% 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. Administrative and other operating expenses slightly decreased during the Period despite the decrease of rental expenses for sub-letting operating lease arrangement, mainly due to increase in salary paid to administrative staff especially for the expansion of PRC online shopping business.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank borrowings, overdrafts, and finance leases. Finance costs decreased from approximately HK$747,000 in the first half year of 2013 to approximately HK$479,000 in the current period.

Loss attributable to equity holders

Loss attributable to equity holders of the Group for the six months ended 30 June 2014 was approximately HK$19.3 million, representing an increase of 87.4% from approximately HK$10.3 million for the period ended 30 June 2013. Loss per share attributable to equity holders was approximately HK2.9 cents for the six months ended 30 June 2014, as compared to approximately HK1.5 cents for the six months ended 30 June 2013.

Employees and remuneration policy

As at 30 June 2014, the Group had a total of 158 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 2014, the Group had total interest-bearing bank borrowing of approximately HK$25.7 million (31 December 2013: HK$26.8 million). The borrowing is denominated in Hong Kong dollars. The bank loan bears interest at prevailing commercial lending rates. The Group's land and building with a carrying amount of HK$76.9 million were pledged to secure the bank borrowing. It is expected that the borrowing will be repaid by internal generated funds.

As at 30 June 2014, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$50.2 million, HK$49.8 million and HK$299.8 million respectively (31 December 2013: approximately HK$81.3 million, HK$58.2 million and HK$319.0 million respectively). The Group's gearing ratio *(Note 1)*, current ratio *(Note 2)* and quick ratio *(Note 3)* as at 30 June 2014 were approximately 7.4%, 5.0 and 1.6 respectively (31 December 2013: 7.2%, 4.6 and 2.0 respectively). The Group's gearing ratio increased and quick ratio dropped in the six months ended 30 June 2014 mainly due to the repayment of interest bearing borrowings, and decrease in cash and cash equivalents, respectively.

Notes:

1. Gearing ratio is calculated based on the borrowing and obligations under a finance lease 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 2014, the Group's land and building with a carrying value of HK76.9 million and the Group's bank deposits of HK$1.0 million 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"), United States ("US") dollars and Singapore dollars. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group did not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at acceptable level.

Contingent liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities.

Capital commitments

The Group's capital commitments on property, plant and equipment amounted to approximately HK$0.6 million and HK$4.6 million as at 30 June 2014 and 31 December 2013 respectively.

Event after the reporting period

On 11 July 2014, the Company granted 28,865,000 share options to the Directors, the chief executive officer and certain employees of the Company (the "Grantees") pursuant to the Company's share option scheme adopted on 28 April 2011. The share options give the Grantees the right to subscribe for ordinary shares of the Company at an exercise price of HK$0.616 per ordinary share. Details of the share options granted are set out in an announcement of the Company dated 11 July 2014.

OUTLOOK

Affected by the slowdown in the global economy, the consumer sentiment in Hong Kong and Mainland China is expected to remain weak. Challenges will persist in both the overall retail market and the market for luxury goods in Mainland China and Hong Kong. Nevertheless, the potential of the middle class for consumption growth in Mainland China should not be overlooked even though the prospect of the country's retailing market looks gloomy. Thanks to the improving living standard of the country's middle class, there will be growing quest for brand names and style, and as such, the high-end and luxury brand handbags market will still regain momentum for growth in the long run. It is estimated that the global economy will recover moderately in the second half of 2014 and China's economy will maintain steady growth. The Group is cautiously optimistic about the long-term outlook of the luxury goods markets in Mainland China and Hong Kong in the coming year.

Development Strategy

Looking ahead, the Group will continue its core strategy of consolidating its leading market position in Hong Kong and prudently developing the markets in Mainland China and overseas. At the same time, the Group will expand cost effective marketing channels, and cope flexibly with the changing operating environment.

Hong Kong is the principal place of business for Milan Station, and the Group will continue to adjust its marketing strategies and improve its product portfolio to strengthen its leading position in the core markets there. The Group planned to open its first Milan Station multi-brands speciality store in Tsimshatsui in the second half of the year to provide new mid-priced goods which target the mass market, namely that of the fad-fashion consumers who are between 20 to 45 years old. Apart from selling existing branded handbags, the new concept store will introduce those brand names which are not yet available in Milan Station branch stores to cater for the local young consumers' demand for low- and mid-priced goods, and will try to expand the Group's share of the mid-priced handbag market.

The Group will continue to review the results of its retail stores, and actively integrate its store portfolio in the core markets to enhance its overall competitiveness and sales growth. The branch store of the Group in Mong Kok will be relocated to a shop space which is near to its previous address, and the branch store at Domingos Road, Macau will be relocated to Rua Da Palha to reduce rental expenses. The Group will continue to prudently renew the leases for or relocate those stores with lower rental pressure, and expand its business while maintaining the target of the overall rental costs, with an aim of improving the profitability of the Group's retail operation.

The Group will continue to expand the Mainland China market prudently, and seek for cost-effective and diverse sales channel and partners to expand its business in various cities with growth potential. The Group is now negotiating with its existing partners in order to set up stores and plans to establish one additional self-operated store in Shenyang in September, and establish one new retail outlet in Jiangmen in August through consignment management.

Online shopping has been gaining momentum as a popular mode of consumption in Mainland China, and the Group is proactively investing more resources in developing its online shopping platforms in the country in the coming year. The Group will enhance the online content and the interaction with the visitors, come up with a product portfolio that is more suitable for second-hand goods collection and sales at the online trading platform. Apart from the joint venture established with J&C (Asia) Limited, the Group will continue to open a virtual shopping mall at major online shopping platforms in Mainland China to attract more potential customers, thus reinforcing its online-to-offline business model.

For overseas market expansion, the Group will actively seek consignment management partners selectively to expand Milan Station's sales network in Southeast Asia. In addition, the Group planned to establish a new store in Singapore to sell second-hand mid-priced goods to cater for the demand of different consumers, and continue to actively explore the possibility of establishing other branch stores in other local sites with its partners in Singapore.

In order to further reduce the rental pressure and improve its sales growth, the Group will continue to actively develop innovative and cost-efficient sales channels, including exclusive clubhouses in Macau and cruises, to expand its diversified sales network. The Group planned to increase the number of points of sale from six to ten in exclusive clubhouses in Macau.

To cope with the increasingly difficult and changing operating environment, the Group will continue to adopt appropriate business strategies, with an aim of laying the foundations for its future development and business growth. With its brand advantages, leading market position, innovative and diversified sales channels, and flexible operating strategies that the Group has developed over the years, the management of the Group will try its best to generate reasonable returns to its shareholders once the economy begins to recover in the second half year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, 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 2014, approximately HK$158.4 million has been utilised, of which (i) HK$75.2 million was applied for expansion of retail network in the PRC market; (ii) HK$12.0 million was applied for decorating new retail shops, relocating and redecorating several existing shops in Hong Kong, Mainland China and Macau; (iii) HK$14.2 million was applied for marketing and promotion of the Group; (iv) HK$3.5 million was applied for design and development of private label "MS" brand products; (v) HK$2.4 million was applied for exploration of online sales channel; (vi) HK$2.7 million was applied for upgrading of the Group's information technology system; (vii) HK$0.6 million was applied for staff training and development; (viii) HK$37.5 million was applied for acquisition of a property for the Group's own use; and (ix) HK$10.3 million was applied for general working capital.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2014, the Company had complied with all applicable provisions under the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules save as disclosed below.

Code provision A.1.3 of the CG Code requires that notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Period, certain regular 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 endeavor to meet the requirement of code provision A.1.3 of the CG Code in future.

Code provision A.2.1 of the CG Code requires the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yiu Kwan Tat is the Chairman and Chief Executive Officer of the Company. The Board believes that this structure of having Mr. Yiu Kwan Tat acting as both the Chairman and the Chief Executive Officer of the Company has been conductive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board also considers that this structure would 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 Kwan Tat and believes that his appointment to the posts of Chairman as well as the Chief Executive Officer has been beneficial to the business prospects of the Group. The Company will review the current structure when and as it becomes appropriate.

On 11 July 2014, Mr. Yiu Kwan Tat resigned as the Chief Executive Officer of the Company and Mr. Choi Wai Kwok, Andy was appointed as the Chief Executive Officer of the Company. The appointment is considered to have helped the Company comply with the code provision.

Code provision A.6.7 of the CG Code requires the independent non-executive directors and other non-executive directors, as equal board members, should attend general meetings and develop a balanced understanding of the views of shareholders. Mr. Tam B Ray Billy, a non-executive Director, and Mr. So, Stephen Hon Cheung, an independent non-executive Director, were unable to attend the annual general meeting of the Company held on 5 June 2014 due to their other business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to 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 2014.

REVIEW OF FINANCIAL STATEMENT

The Audit Committee has reviewed the unaudited interim results for the six months ended 30 June 2014 with management and the accounting principles and practices adopted by the Group during the Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2014 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
Yiu Kwan Tat
Chairman

Hong Kong, 20 August 2014

As at the date of this announcement, the Board comprises Mr. YIU Kwan Tat and Mr. YIU Kwan Wai, Gary 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.