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 2017

FINANCIAL HIGHLIGHTS

- Revenue was approximately HK$155.0 million, representing a decrease of 3.2% from approximately HK$160.2 million for the corresponding period last year.

- Gross profit was approximately HK$36.9 million, representing an increase of 12.8% from approximately HK$32.7 million for the corresponding period last year.

- Other losses was approximately HK$4.6 million, representing an increase of 1,019% from approximately HK$0.4 million for the corresponding period last year, mainly due to the fair value change of available-for-sales investments.

- Selling expenses was approximately HK$35.4 million, representing a decrease of 2.2% of approximately HK$36.2 million for the corresponding period last year. Selling expenses continued to decline during the Period under review, mainly due to decrease in rental expenses by reposition of stores.

- Loss for the period attributable to owners of the Company was approximately HK$31.7 million, representing a decrease of 16.4% from approximately HK$37.9 million for the corresponding period last year.

- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017.

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 2017 (the "Period") together with the comparative figures for the corresponding period in 2016 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

		For the six months ended 30 June	
	Notes	**2017**	2016
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Revenue	*5*	**155,041**	160,248
Cost of sales		**(118,139)**	(127,543)
Gross profit		**36,902**	32,705
Other (losses)/income and gains, net	*5*	**(4,589)**	(410)
Selling expenses		**(35,442)**	(36,248)
Administrative and other operating expenses		**(28,913)**	(34,788)
Finance costs	*6*	**(533)**	(49)
Loss before tax	*7*	**(32,575)**	(38,790)
Income tax	*8*	**6**	–
Loss for the period		**(32,569)**	(38,790)
Attributable to:			
Owners of the Company		**(31,680)**	(37,935)
Non-controlling interests		**(889)**	(855)
		(32,569)	(38,790)
Loss per share			
– Basic and diluted	*9*	**HK(3.9 cents)**	HK(5.6 cents)

Details of dividends payable to owners of the Company are set out in note 10.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Loss for the period	**(32,569)**	(38,790)
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	**450**	604
	450	604
Total comprehensive expense for the period	**(32,119)**	(38,186)
Attributable to:		
Owners of the Company	**(31,309)**	(37,316)
Non-controlling interests	**(810)**	(870)
	(32,119)	(38,186)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited) *HK$'000***	31 December 2016 (Unaudited) *HK$'000*
Non-current assets			
Property, plant and equipment	*11*	**10,926**	13,129
Intangible assets		**4,133**	4,203
Available-for-sale investment		**46,369**	91,306
Investments in corporate bonds		**–**	7,468
Deposits		**1,143**	2,314
Total non-current assets		**62,571**	118,420
Current assets			
Inventories		**52,656**	63,112
Trade receivables	*12*	**3,055**	4,272
Loan receivables	*13*	**16,323**	–
Prepayments, deposits and other receivables		**37,711**	51,473
Other financial assets		**–**	2,911
Tax recoverable		**291**	485
Cash and cash equivalents		**43,343**	50,797
Total current assets		**153,379**	173,050
Current liabilities			
Trade and other payables	*14*	**45,013**	22,381
Obligations under finance leases		**1,429**	1,469
Provisions		**–**	–
Tax payable		**856**	826
Total current liabilities		**47,298**	24,676
Net current assets		**106,081**	148,374
Total assets less current liabilities		**168,652**	266,794

	Notes	30 June 2017 (Unaudited) HK$'000	31 December 2016 (Unaudited) HK$'000
Non-current liabilities			
Provisions		**241**	239
Obligations under finance leases		**2,746**	3,430
Deferred tax liabilities		**588**	624
Total non-current liabilities		**3,575**	4,293
NET ASSETS		**165,077**	262,501
CAPITAL AND RESERVES			
Issued capital	*15*	**8,136**	8,136
Reserves		**154,952**	251,566
Equity attributable to owners of the Company		**163,088**	259,702
Non-controlling interests		**1,989**	2,799
TOTAL EQUITY		**165,077**	262,501

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 principal activities of the subsidiaries of the Company are retailing of handbags, fashion accessories and embellishments and spa and wellness products. There were no significant changes in the nature of the Group's principal activities during the Period.

2 BASIS OF PREPARATION

Statement of compliance

The unaudited condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard (the "HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgement, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The Interim Financial Statements has been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The group has adopted the following revised Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealized Losses

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

4. OPERATING SEGMENT INFORMATION

The board of directors is the chief operating decision maker. The Group's principal activity is the retail of handbags, fashion accessories, embellishments and spa and wellness products. Since it is the only operating segment of the Group, no further analysis thereof is presented. In determining the Group's geographical segment information, the revenue information is based on the locations of the customers, and the non-current assets information is based on the locations of the property, plant and equipment and deposits, or the location of the operation to which the intangible assets relate.

	Hong Kong	**Macau**	**Mainland China**	**Singapore**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
For the six months ended 30 June 2017					
Revenue from external customers	**142,097**	**12,273**	**671**	**–**	**155,041**
Non-current assets	**15,012**	**29**	**18**	**–**	**15,059**
Capital expenditure	**1,078**	**–**	**–**	**–**	**1,078**

	Hong Kong	Macau	Mainland China	Singapore	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the six months ended 30 June 2016					
Revenue from external customers	139,915	2,862	17,471	–	160,248
Non-current assets	19,342	43	58	–	19,443
Capital expenditure	7,963	–	–	–	7,963

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 2016: Nil) and no information about major customers is presented accordingly.

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

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

		For the six months ended 30 June	
	Notes	**2017**	2016
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
Revenue			
Sale of goods		**155,041**	160,248
Other (losses)/income and gains, net			
Bank interest income		**4**	105
Loan interest income		**624**	–
Gain on other financial assets		**12,168**	–
Change on fair value of available for sales investment		**(17,778)**	–
Gross rental income		**–**	1,699
Interest income from investments in convertible bonds		**334**	–
Impairment of available-for-sale investments		**–**	(2,600)
Others		**59**	386
		(4,589)	(410)
		150,452	159,838

6. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1**	6
Finance lease charges	**135**	43
Interest expenses	**397**	–
	533	49

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
		HK$'000	*HK$'000*
(a)	**Employee benefit expenses (excluding directors' remuneration)**		
	Pension scheme contributions	**615**	641
	Salaries, wages and other benefits	**14,755**	17,854
		15,370	18,495
(b)	**Other items**		
	Cost of inventories recognised as an expense	**118,139**	127,543
	Write-back of provision for slow-moving inventories including in cost of inventories recognised as an expenses	**3,578**	(656)
	Depreciation		
	– owned assets	**2,165**	3,067
	– assets under finance leases	**1,057**	416
	Amortisation of intangible assets	**282**	282
	Minimum lease payments under operating leases in respect of land and buildings	**23,320**	21,770
	Loss on write-off of property, plant and equipment	**109**	–

8. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits in Hong Kong during the period ended 30 June 2017 (six months ended 30 June 2016: Nil). 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 2016: 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 2016: 12%) on the estimated taxable profits.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK$31,680,000 (six months ended 30 June 2016: HK$37,935,000) and the weighted average of 813,633,000 ordinary shares (2016: 677,541,000 ordinary shares) in issue during the Period. No adjustment has been made to the basic loss per share presented for the six months ended 30 June 2017 and 2016 respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share presented.

10. DIVIDENDS

No dividend was paid or proposed during the Period (six months ended 30 June 2016: Nil), nor has any dividend been proposed since the end of the reporting period.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired items of property, plant and equipment at a total cost of HK$1,078,000 (six months ended 30 June 2016: HK$7,963,000).

No property, plant and equipment was disposed of by the Group during the six months ended 30 June 2017 and 30 June 2016.

12. TRADE RECEIVABLES

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

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

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 1 month	**2,408**	4,076
1 to 2 months	**591**	12
2 to 3 months	**–**	15
Over 3 months	**56**	169
	3,055	4,272

13. LOAN RECEIVABLES

An aged analysis of the loan receivables as at the end of the reporting period, based on the terms of loan agreements, is as follows:

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 3 months	**2,347**	–
3 to 6 months	**2,346**	–
Over 6 months	**11,630**	–
	16,323	–

14. TRADE PAYABLES

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

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Within 1 month	**164**	3,036
1 to 2 months	**59**	5,520
2 to 3 months	**–**	–
Over 3 months	**2,257**	47
	2,480	8,603

15. SHARE CAPITAL

	30 June 2017 (Unaudited) ***HK$'000***	31 December 2016 (Audited) *HK$'000*
Authorised:		
2,000,000,000 ordinary shares of HK$0.01 each	**20,000**	20,000
Issued and fully paid:		
813,633,000 (31 December 2016: 813,633,000) ordinary shares of HK$0.01 each	**8,136**	8,136

16. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 30 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

With the continuing downturns in Hong Kong retail market in 2016, the declining tendency is close to an end and the market is on the path towards stability commencing in the second quarter in 2017. The Census and Statistics Department has published Report on Monthly Survey of Retail Sales and statistical information of visitors arrival in Hong Kong. The report shows that after a long period of over 18 months of declining tendency in the retail sales market since July 2015, it is the first time for the value of total retail sales of the retail market to turn positive, and the grows continues after March 2017. According to the Monthly Survey of Retail Sales, the value of total retail sales in June 2017 increased by 0.1% over the same month in 2016.

Another factor contributing to the increase in the sales market may be reflected in the Hong Kong tourism growth. The Terminal High Attitude Area Defence ("THAAD") issue has been influencing the relationship between China and South Korea, which resulted in a significant decline of the Mainland visitors to South Korea. The Hong Kong tourism thus benefited from the THAAD issue. According to the Hong Kong Tourism Board, in the first half of 2017, the number of Mainland tourists grew by 2.3% as compared with the same period last year, of which same-day visitors and overnight visitors increased by 0.3% and 5.4% respectively. Such figures also show positive impacts to the retail sales market in Hong Kong.

However, the growing trend of the Mainland tourists consisted of a high proportion of tourists with low spending power. Weaker Renminbi against the Hong Kong dollar, the uncertain local economic prospects, the volatile investment markets and the persistently high rents in Hong Kong also offset the positive factors mentioned above, which consequently bring a neutral impact to the luxury goods retailers of their profitability.

On the other hand, according to the latest statistics released by the Statistics and Census Department, Macao SAR, the value of total retail sales for the first six months in 2017 increased by 10.8%, when comparing with the same period last year. Such increase boosted our performance in the Macau market.

BUSINESS REVIEW

During the Period, the performance of the Group was affected by the economic slowdown and the deteriorating luxury retail market. During the Period, the Group's total revenue decreased by approximately 3.2% to approximately HK$155.0 million. The revenues generated in the markets of Hong Kong, Mainland China and Macau accounted for 91.7%, 0.4% and 7.9% respectively of the Group's revenue. The Group's gross profit at approximately HK$36.9 million, which was increased by 12.8% as compared to the same period last year. The net loss for the Period decreased by 16% to HK$32.6 million due to the effective control on costing.

Hong Kong

During the Period, sales of the Group in Hong Kong increased by 1.6% to approximately HK$142.1 million. The revenue came from the 11 "Milan Station" retail stores, the 14 "THANN" retail stores in Hong Kong and the online sales platform directly managed by the Group and the product sales in other new sales channels.

The Group adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. In order to strengthen the Group's leading position in the luxury handbags trading industry, the Group continued to devote human resources to the management of merchandise quality, and strengthened the product certification programs with the finer division of labor to ensure that all the products were inspected by professional team. These measures helped the Group to maintain the "Milan Station" brand reputation and earn market recognition.

During the period, the Group remained prudent on the store network expansion strategy. During the Period, there was one new luxury retail stores opened in Yuen Long. As at 30 June 2017, the Group had a presence in Hong Kong with the store count of 25 (30 June 2016: 25). The Group will cautiously analyse the rental momentum when considering future new lease to optimize the operating efficiency of the Group in Hong Kong.

During the period, the Group commenced the money lending business in order to broaden the Group's revenue source and leveraged with the existing business. The money lending business has generated stable income and become a new source of income streams to the Group.

Mainland China

In 2016, the Group eliminated unprofitable stores as we rightsized our portfolio by closing two stores in Mainland China. As a results, the revenue decreased by 96.6% to approximately HK$0.6 million as compared to the same period last year.

Macau

The business performance of its points of sale in exclusive clubhouses turns good during the period. The Group's revenue from the Macau market sharply increased by 339.3% to approximately HK$12.3 million.

FINANCIAL REVIEW

Revenue

During the Period, total revenue decreased to approximately HK$155.0 million, representing a decrease of 3.2% as compared to approximately HK$160.2 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 87.6% of the total revenue of the Group. The revenue generated from the sales of unused products decreased from approximately HK$118.5 million recorded in the corresponding period last year, representing 74.0% of the total revenue of the Group, to approximately HK$62.7 million during the Period, representing 40.5% of the total revenue of the Group.

Since most of the retail shops under the brand name of "Milan Station" are located in Hong Kong, the source of revenue also concentrates in the Hong Kong market. For the six months ended 30 June 2017, the revenue generated from the Hong Kong market was approximately HK$142.1 million, representing approximately 91.7% of the total revenue of the Group. Revenue generated from the Mainland China market decreased from approximately HK$17.5 million during the corresponding period last year to approximately HK$0.6 million during the Period. Revenue generated from the Macau market increased from approximately HK$2.8 million during the corresponding period last year to approximately HK$12.3 million during the Period.

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2017 and 2016 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				
	2017		2016		
		Approximate percentage of total revenue		Approximate percentage of total revenue	**Approximate percentage change in revenue**
	HK$ million	**%**	*HK$ million*	%	**%**
By product categories (handbags and other products)					
Handbags	**135.8**	**87.6**	149.3	93.2	(9.0)
Other products	**19.2**	**12.4**	10.9	6.8	76.1
Total	**155.0**	**100.0**	160.2	100.0	(3.2)
By product categories (unused and second-hand products)					
Unused products	**62.7**	**40.5**	118.5	74.0	(47.1)
Second-hand products	**92.3**	**59.5**	41.7	26.0	121.3
Total	**155.0**	**100.0**	160.2	100.0	(3.2)
By price range of products					
Within HK$10,000	**26.6**	**17.2**	35.5	22.2	(25.1)
HK$10,001 – HK$30,000	**42.2**	**27.2**	27.9	17.4	51.3
HK$30,001 – HK$50,000	**11.3**	**7.3**	8.3	5.2	36.1
Above HK$50,000	**74.9**	**48.3**	88.5	55.2	(15.4)
Total	**155.0**	**100.0**	160.2	100.0	(3.2)
By geographical locations					
Hong Kong	**142.1**	**91.7**	139.9	87.3	1.6
The PRC	**0.6**	**0.4**	17.5	10.9	(96.6)
Macau	**12.3**	**7.9**	2.8	1.8	339.3
Singapore	**–**	**–**	–	–	–
Total	**155.0**	**100.0**	160.2	100.0	(3.2)

Cost of sales

For the six months ended 30 June 2017, cost of sales of the Group was approximately HK$118.1 million, decreased by 7.4% as compared to the same period last year. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the Period increased by HK$4.2 million to approximately HK$36.9 million, with its gross profit margin increased slightly by 3.4% to 23.8%. Write back of provision for slow-moving inventories included in the cost of sales for the six months ended 30 June 2017 amounted to approximately HK$3.6 million.

Gross profit margins of the Group's operations in Hong Kong, Mainland China and Macau were 21.9%, 19.7% and 20.5%, respectively (six months ended 30 June 2016: Hong Kong, Mainland China, Macau were 16.1%, 20.0% and 19.9%, respectively).

Inventory analysis

The Group's total inventories as at 30 June 2017 and 31 December 2016 were approximately HK$52.7 million and HK$63.1 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 2017 and 31 December 2016:

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Aging of inventories (handbags products)		
0 to 90 days	**19,166**	18,359
91 to 180 days	**6,620**	3,510
181 days to 1 year	**5,615**	9,569
Over 1 year	**15,495**	20,501
Total	**46,896**	51,939

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2017 and 31 December 2016:

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Aging of inventories (other products)		
0 to 45 days	**1,258**	9,290
46 to 90 days	**1,295**	1,271
91 days to 1 year	**3,091**	456
Over 1 year	**116**	156
Total	**5,760**	11,173

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 2017 and 31 December 2016:

	As at 30 June 2017	As at 31 December 2016
	HK$'000	*HK$'000*
Aging of inventories (handbags products over HK$50,000)		
0 to 90 days	**9,083**	5,941
91 to 180 days	**3,193**	661
181 days to 1 year	**1,653**	1,946
Over 1 year	**3,719**	4,529
Total	**17,648**	13,077

Other (losses)/income and gains

Other losses amounted to approximately HK$4.6 million, increased by HK$4.2 million as compared to other losses amounted to approximately HK$0.4 million in the corresponding period last year. It was mainly attributable to the gain on other financial asset and change on fair value of available for sales investment.

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 2017, selling expenses of the Group were approximately HK$35.4 million, representing 22.8% of its revenue (six months ended 30 June 2016: approximately HK$36.2 million, representing 22.6% of revenue). Selling expenses continued to decline during the Period, mainly due to decrease in rental expenses by reposition of stores.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2017 amounted to approximately HK$28.9 million, representing approximately 18.6% of the revenue, decreased by approximately HK$5.9 million as compared to the corresponding period last year. The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank overdrafts and borrowings and finance leases. Finance costs increased from approximately HK$49,000 in the first half of 2016 to approximately HK$533,000 in the Period.

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the six months ended 30 June 2017 was approximately HK$31.7 million, representing a decrease of 16.4% from approximately HK$37.9 million for the period ended 30 June 2016. Loss per share attributable to the owners of the Company was approximately HK3.9 cents for the six months ended 30 June 2017, as compared to approximately HK5.6 cent for the six months ended 30 June 2016.

Employees and remuneration policy

As at 30 June 2017, the Group had a total of 117 employees (31 December 2016: 124 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 2017 and 31 December 2016, the Group did not have any bank borrowing.

As at 30 June 2017, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK$43.3 million, HK$50.9 million and HK$163.1 million respectively (31 December 2016: approximately HK$50.8 million, HK$29.0 million and HK$259.7 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2017 were approximately 2.5%, 3.2 and 2.1 respectively (31 December 2016: 1.9%, 7.0 and 4.5 respectively).

Notes:

1. Gearing ratio is calculated based on the borrowing and obligations under a finance lease divided by the total equity at the end of the Period and multiplied by 100%.

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

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

Pledge of assets

As at 30 June 2017 and 31 December 2016, the Group had no assets and bank deposits were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

The Group carried on its trading transactions mainly in Hong Kong dollars, Renminbi ("RMB") and United States ("US") dollars. It is the Group's policy to continue maintaining the balance of its sales and purchases in the same currency. The Group did not have any hedging arrangement on foreign exchange. The Directors are of the view that the transactional exposure of the Group in currencies other than the functional currencies is maintained at acceptable level.

Contingent liabilities

As at 30 June 2017, the Group did not have any significant contingent liabilities.

Capital commitments

The Group do not have any capital commitments on property, plant and equipment as at 30 June 2017 and 31 December 2016.

Discloseable Transaction – Acquisition of the entire interest of Brenda Enterprises Limited

On 29 March 2017, the Group entered into an acquisition agreement with an independent third party in relation to the acquisition of entire equity interest of Brenda Enterprises Limited, a licensed money lender that is regulated under the Money Lenders Ordinance in Hong Kong, in cash consideration of HK$1,700,000.

Further details relating to the acquisition is more particularly set out in the Company's announcement dated 29 March 2017.

Significant Investments

The Group held significant investments under available-for-sale investments as below:

		As at 30 June 2017			
Company	**Stock code**	**Percentage of shareholding**	**Investment cost**	**Carrying amount**	**Approximate percentage to the total assets**
		(approximately)	*HK$'000*	*HK$'000*	
Tai Kam Holdings Limited Others	8321	0.95%	2,701	29,681	13.7
			49,143	16,688	7.7
			51,844	46,369	

OUTLOOK

The continuing slowdown in the economy of China persists during the year, and it is reasonably expected that it will persist in the coming years. Although the number of Mainland tourists grew in the first half in 2017, it is still uncertain that the retail sales market will benefit from the growing tourism. The effect of the one-trip-per-week Central Government policy on the Hong Kong tourism may have been fully reflected by the growing figures in the Mainland visitors to Hong Kong, but such improvement may requires stronger ongoing evidence to justify bolder optimism.

Subsequent to the implementation of THAAD on the 6th March 2017 in South Korea, the Chinese government introduced bans on tour groups to South Korea, and the relationship between China and South Korea became tenser. It can be reasonably expected that Hong Kong tourism may benefit from and continue to absorb the Mainland tourists in the coming future.

However, the Group does not expect that the second half of the financial year will bring sharped improvements, since the Hong Kong market is facing several uncertainties and challenges. One of these challenges is the continuous rises in the United States' benchmark interest rate could further weaken the Renminbi against the Hong Kong dollar. The Federal Reserve in the U.S.A. raised the interest rates twice in during the year 2017. The strengthened Hong Kong Dollar encouraged more outbound travel by local residents, adversely affecting their spending in Hong Kong. The depreciation of the Renminbi also contributed to a slowdown in spending by Mainland tourists, and it may continue to lower their spending desire in the coming future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

(i) The proceeds from the listing, after deduction of related issuance expenses, amounted to HK$11.4 million.

(ii) The Company completed a placing on 19 October 2016, pursuant to which the Company has allotted 135,496,000 placing shares to not less than six places at HK$0.329 per placing share. The net proceeds of the placing were approximately HK$43.5 million. As at 30 June 2017, the Group had utilized the net proceeds of the placing as general working capital as intended.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, the Company had complied with all applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules save as disclosed below.

Code provision E.1.2 of the CG Code requires the chairman of the board should attend the annual general meeting. Mr. Yiu Kwan Tat, the Chairman of the Company, was unable to attend the annual general meeting of the Company held on 6 June 2017 due to his other business engagements.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the period, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Chau Shing Yip Colin. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2017 and discussed with the management of the Company on auditing, risk management, internal control and financial reporting matters.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee with written terms of reference in compliance with the Listing Rules. During the six months ended 30 June 2017, the Remuneration Committee comprises three members, a majority of whom are independent non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Hu Bo. The Remuneration Committee formulates the Company's remuneration policy of Directors and senior management, reviews and determines their remuneration packages and makes recommendations to the Board regarding the remuneration of Directors and senior management.

NOMINATION COMMITTEE

The Company has established a Nomination Committee with written terms of reference in compliance with the Listing Rules. During the six months ended 30 June 2017, the Nomination Committee comprises three members, a majority of whom are independent non-executive Directors, namely, Mr. Hu Bo (chairman), Mr. Chan Chi Hung and Mr. Tou Kin Chuen.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss, and to mitigate rather than eliminate risks of failure in the operational systems and achievements of the Group's business objectives. The Board has, engaged an independent internal control review advisor (the "Internal Control Advisor"), conducted reviews of the effectiveness of the internal control system of the Group covering the Group's corporate governance, internal control, financial, operational (including information security), as well as risk management function and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board ensures the internal controls are in place and functioning properly as intended. The Board also considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

In response to the risk, the management shall implement proper policies and procedures to review the effectiveness of risk management and internal control and remedy any defects of internal control, including conduct evaluation on a regular basis to keep abreast of the related information in a timely manner so as to facilitate the Audit Committee and the Board to evaluate the effectiveness of control and risk management of the Group.

For the period ended 30 June 2017, the Board and Audit committee have reviewed and confirmed the effectiveness of the risk management and internal control systems.

The Group has a formal whistle-blowing policy to encourage and guide its staff to raise serious concerns internally in a responsible manner, without fear of retribution. During the period under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Group has the Inside Information Policy which sets out guidelines to the Directors and senior management of the Group to ensure inside information of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30 June 2017 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
HU Bo
Executive Director

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprises Mr. HU Bo and Ms. CAO Huijuan as Executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. CHAU Shing Yip Colin as Independent Non-executive Directors.