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MILAN STATION HOLDINGS LIMITED

米 蘭 站 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1150)

2020 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Milan Station Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries for the six months ended 30 June 2020. This announcement, containing the full text of the 2020 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) in relation to information to accompany preliminary announcement of interim results.

For and on behalf of the Board
Milan Station Holdings Limited
Hu Bo
Director

Hong Kong, 31 August 2020

As at the date of this announcement, the Board comprises Mr. HU Bo and Mr. LI Zhongqi as executive Directors; Mr. CHAN Chi Hung, Mr. TOU Kin Chuen and Mr. Choi Kam Yan Simon as independent non-executive Directors.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Cao Huijuan
Mr. Hu Bo

Independent Non-executive Directors

Mr. Chan Chi Hung
Mr. Tou Kin Chuen
Mr. Choi Kam Yan, Simon

AUDIT COMMITTEE

Mr. Tou Kin Chuen
(Chairman of audit committee)
Mr. Chan Chi Hung
Mr. Choi Kam Yan, Simon

REMUNERATION COMMITTEE

Mr. Tou Kin Chuen
(Chairman of remuneration committee)
Mr. Chan Chi Hung
Mr. Hu Bo

NOMINATION COMMITTEE

Mr. Hu Bo
(Chairman of nomination committee)
Mr. Chan Chi Hung
Mr. Tou Kin Chuen

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

COMPANY SECRETARY

Mr. Yung Kai Wing

AUTHORISED REPRESENTATIVES

Mr. Hu Bo
Mr. Yung Kai Wing

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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489-491 Castle Peak Road
Kowloon

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

COMPANY'S WEBSITE

www.milanstation.com.hk

STOCK CODE

1150

PRINCIPAL BANKERS

HONG KONG

OCBC Wing Hang Bank Limited
DBS Bank (Hong Kong) Limited

Condensed Consolidated Statement of Profit or Loss

UNAUDITED INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Milan Station Holdings Limited (the “Company”) presents the unaudited consolidated interim financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2020 (the “Period”) together with the comparative figures for the corresponding period in 2019 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.

		For the six months ended 30 June	
	Notes	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue	5	82,530	136,910
Cost of sales		(59,854)	(109,564)
Gross profit		22,676	27,346
Other income and gains/(losses), net	5	2,126	(1,340)
Selling expenses		(14,277)	(18,802)
Administrative and other operating expenses		(12,029)	(15,055)
Finance costs	6	(385)	(986)
Loss before tax	7	(1,889)	(8,837)
Income tax	8	(248)	40
Loss for the period		(2,137)	(8,797)
Attributable to:			
Owners of the Company		(1,614)	(8,743)
Non-controlling interests		(523)	(54)
		(2,137)	(8,797)
Loss per share			
– Basic and diluted	9	HK(0.8 cents)	HK(4.3 cents)

The notes on pages 9 to 17 form part of this interim financial statements. Details of dividends payable to owners of the Company are set out in note 10.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss for the period	(2,137)	(8,797)
Other comprehensive income for the period:		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences arising on translation of foreign operations	–	–
	–	–
Total comprehensive expense for the period	(2,137)	(8,797)
Attributable to:		
Owners of the Company	(1,614)	(8,743)
Non-controlling interests	(523)	(54)
	(2,137)	(8,797)

Condensed Consolidated Statement of Financial Position

	Notes	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	11	3,509	6,859
Intangible assets		–	2,790
Right-of-use assets		9,960	18,584
Deposits		2,276	489
Total non-current assets		15,745	28,722
Current assets			
Inventories		42,846	42,930
Trade receivables	12	2,627	1,709
Loan receivables	13	12,565	11,392
Prepayments, deposits and other receivables		3,052	9,516
Financial asset at fair value through profit and loss		7,420	11,691
Tax recoverable		–	82
Cash and cash equivalents		11,087	14,328
Total current assets		79,597	91,648
Current liabilities			
Trade and other payables	14	24,951	19,361
Lease liabilities		7,893	18,623
Tax payable		590	409
Total current liabilities		33,434	38,393
Net current assets		46,163	53,255
Total assets less current liabilities		61,908	81,977
Non-current liabilities			
Provisions		–	13
Lease liabilities		2,027	5,889
Deferred tax liabilities		13	173
Total non-current liabilities		2,040	6,075
NET ASSETS		59,868	75,902
CAPITAL AND RESERVES			
Issued capital	15	8,136	8,136
Reserves		52,955	68,063
Equity attributable to owners of the Company		61,091	76,199
Non-controlling interests		(1,223)	(297)
TOTAL EQUITY		59,868	75,902

The notes on pages 9 to 17 form part of this interim financial statements.

Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	8,136	218,508	10	(23,782)	30	488	10,780	(152,727)	61,443	(701)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(1,614)	(1,614)	(523)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(1,614)	(1,614)	(523)
Share based payment expenses	-	-	-	-	-	-	1,263	-	1,263	-
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	(6,385)	6,385	-	-
At 30 June 2020 (unaudited)	8,136	218,508	10	(23,782)	30	488	5,658	(147,956)	61,092	(1,224)

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Issued capital	Share premium account	Capital reserve	Merger reserve	Statutory reserve fund	Exchange fluctuation reserve	Share option reserve	Retained profits	Total	
	HK\$'000	HK\$'000	HK\$'000 (note a)	HK\$'000 (note b)	HK\$'000 (note c)	HK\$'000	HK\$'000 (note d)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2019 (audited)	8,136	218,508	10	(23,782)	30	496	10,047	(132,898)	80,547	(243)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	-	(8,743)	(8,743)	(54)
Total comprehensive income/(expense) for the period	-	-	-	-	-	-	-	(8,743)	(8,743)	(54)
Share based payment expenses	-	-	-	-	-	-	4,395	-	4,395	-
Transfer of share option reserve upon the lapse of share options	-	-	-	-	-	-	-	-	-	-
At 30 June 2019 (unaudited)	8,136	218,508	10	(23,782)	30	496	14,442	(141,641)	76,199	(297)

Notes:

- (a) The capital reserve of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to the group reorganisation on 28 April 2011 and the nominal value of the ordinary shares of a subsidiary of the Company in exchange therefor.
- (b) The merger reserve represents the excess of the consideration for acquiring subsidiaries over the nominal value of the paid-up capital of the subsidiaries acquired.
- (c) In accordance with the Company Law of the People's Republic of China (the "PRC"), the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund. When the balance of the statutory reserve fund reaches 50% of the subsidiaries' registered capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior years' losses or to increase the registered capital. However, such balance of the statutory reserve fund must be maintained at a minimum of 50% of the registered capital after such usages.
- (d) The share option reserve related to share options granted to the directors and employees under the Company's share option scheme.

Condensed Consolidated Statement of Cash Flows

	For the six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	4,604	8,982
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	–	(594)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(7,845)	(16,614)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,241)	(8,226)
Cash and cash equivalents at beginning of the period	14,328	22,554
Effect of foreign exchange rates, net	–	–
CASH AND CASH EQUIVALENTS AT END OF PERIOD	11,087	14,328
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	11,087	14,328

Notes to Condensed Consolidated Interim Financial Statements

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 1 November 2007. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands and its principal place of business in Hong Kong is located at Room 13, 6/F, Block A, Hong Kong Industrial Centre, 489-491 Castle Peak Road, Kowloon.

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

2. BASIS OF PREPARATION

Statement of compliance

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

The interim financial report has been prepared in accordance with same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

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

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

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after January 1 2020.

Notes to Condensed Consolidated Interim Financial Statements

3 APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) *(continued)*

Application of new and amendments to HKFRSs *(continued)*

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

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	Total
	HK\$’000	HK\$’000	HK\$’000
For the six months ended 30 June 2020			
Revenue from external customers	79,742	2,788	82,530
Non-current assets	15,745	–	15,745
Capital expenditure	961	–	961

Notes to Condensed Consolidated Interim Financial Statements

4. OPERATING SEGMENT INFORMATION *(continued)*

	Hong Kong	Macau	Total
	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2019			
Revenue from external customers	130,398	6,511	136,909
Non-current assets	7,907	1,742	9,649
Capital expenditure	604	–	604

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 2019: 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:

Notes	For the six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue		
Sale of goods	82,530	136,910
Other (losses)/income and gains, net		
Bank interest income	107	10
Interest income on loan receivable	465	555
Change in fair value of financial assets at fair value through profit or loss	(1,830)	(2,304)
Net allowance for expected credit losses	(20)	–
Gain on disposal of property, plant and equipment	783	–
Others	2,621	399
	2,126	(1,340)
	84,656	135,570

Notes to Condensed Consolidated Interim Financial Statements

6. FINANCE COSTS

For the six months ended 30 June	
2020	2019
(Unaudited) HK\$'000	(Unaudited) HK\$'000
Finance lease charges	138
Interest expenses	295
Interest expenses on lease liability	553
385	986

7. LOSS BEFORE TAX

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

For the six months ended 30 June	
2020	2019
(Unaudited) HK\$'000	(Unaudited) HK\$'000
(a) Employee benefit expenses (excluding directors' remuneration)	
Pension scheme contributions	302
Equity settled share option expense	–
Salaries, wages and other benefits	6,735
8,453	7,037
(b) Other items	
Cost of inventories recognised as an expense	109,564
Depreciation	
– owned assets	1,146
– assets under finance leases	1,714
– right-of-use assets	9,580
Amortisation of intangible assets	282
Share based payment expenses	4,395
Loss on write-off of property, plant and equipment	–

Notes to Condensed Consolidated Interim Financial Statements

8. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Hong Kong profit tax	248	7
Deferred taxation	–	(47)
	248	(40)

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

Macau complementary tax has been provided at progressive rates up to a maximum of 12% (six months ended 30 June 2019: 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\$1,614,000 (six months ended 30 June 2019: HK\$8,743,000) and the weighted average of 203,408,250 ordinary shares (2019: 203,408,250 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 2020 and 2019 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 2019: 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 2020, the Group acquired items of property, plant and equipment of approximately HK\$961,000 (six months ended 30 June 2019: HK\$604,000).

During the six months ended 30 June 2020, the Group disposed HK\$2,577,000 of property, plant and equipment (six months ended 30 June 2019: nil).

Notes to Condensed Consolidated Interim Financial Statements

12. TRADE RECEIVABLES

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

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

	30 June 2020	31 December 2019
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	1,537	1,677
1 to 2 months	218	3
2 to 3 months	562	9
Over 3 months	310	20
	2,627	1,709

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 2020	31 December 2019
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 3 months	–	3,000
3 to 6 months	–	8,392
Over 6 months	12,565	–
	12,565	11,392

Notes to Condensed Consolidated Interim Financial Statements

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 2020	31 December 2019
	(Unaudited) HK\$'000	(Audited) HK\$'000
Within 1 month	–	2,044
1 to 2 months	–	2,499
2 to 3 months	–	2,162
Over 3 months	8,125	1,772
	8,125	8,477

15. SHARE CAPITAL

	30 June 2020	31 December 2019
	(Unaudited) HK\$'000	(Audited) HK\$'000
Authorised: 500,000,000 ordinary shares of HK\$0.04 each	20,000	20,000
Issued and fully paid: 203,408,250 (31 December 2019: 203,408,250) ordinary shares of HK\$0.04 each	8,136	8,136

Note: On 20 March 2020, the Company approved the share consolidation at the extraordinary general meeting, the share consolidation became effective on 24 March 2020, whereby every four issued and unissued ordinary shares of HK\$0.01 each consolidated into 1 ordinary share of HK\$0.04 each.

Notes to Condensed Consolidated Interim Financial Statements

16. RELATED PARTY TRANSACTIONS

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

		For the six months ended 30 June	
	Notes	2020	2019
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental expenses paid to related companies	(a)	2,403	3,024

Notes:

- (a) The Group has entered into lease agreements with certain related companies of which Mr. Yiu Kwan Tat ("Mr. Yiu") and Mr. Yiu Kwan Wai, Gary who resigned as directors of the Group on 13 April 2017 are also directors of these related companies. The rental expenses paid to these related companies were based on mutually agreed terms.
- (ii) Compensation of key management personnel of the Group during the periods are as follows:

		For the six months ended 30 June	
		2020	2019
		(Unaudited) HK\$'000	(Unaudited) HK\$'000
Short-term employee benefits		2,221	2,160
Post-employment benefits		57	55
		2,025	2,215

Notes to Condensed Consolidated Interim Financial Statements

17. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Financial assets at fair value through profit or loss	7,420	9,250
Loans and receivables		
Trade receivables	2,627	3,883
Loan receivables	12,565	12,521
Financial assets included in deposits and other receivables	2,764	6,362
Cash and cash equivalents	11,087	8,417
	29,043	31,183
	36,463	40,433

Financial liabilities

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Financial liabilities at amortised cost		
Trade payables	8,125	6,894
Financial liabilities included in accrued liabilities and other payables	16,826	15,938
Lease liability	9,920	17,765
	34,871	40,597

18. COMPARATIVE FIGURES

Certain comparative amounts have been reclassified to conform with the current period's presentation.

19. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 31 August 2020.

Management Discussion and Analysis

MARKET OVERVIEW

The first half of 2020 marked a particularly challenging time for the Hong Kong economy, especially to the retail industry. Following a series of disturbance in society, COVID-19 epidemic that developed lightning fast into global pandemic since February 2020 gave overturning changes to local market.

Inbound tourism was hard-hit by the regulation of compulsory quarantine imposed by the Hong Kong Government since February. According to the monthly report issued by the Hong Kong Tourism Board, the number of visitor arrivals from January to June 2020 recorded a dramatical decrease of 89.9% as compared to 2019.

Domestic demand took a big hit. Private consumption expenditure recorded the steepest ever decline in the second quarter, as local consumption activities were severely disrupted by the threat of COVID-19 and social distancing requirements throughout the quarter and outbound tourism came to a halt amid stringent travel restrictions. The sharp deterioration of labour market conditions also dented consumer sentiment further. Overall investment expenditure continued to tumble amid negative business environment and subdued private construction activity. Private consumption expenditure recorded the steepest ever year-on-year decline of 14.2% in real terms in the second quarter of 2020, after falling by 10.6% in the preceding quarter.

The global economic fallout of the COVID-19 pandemic turned more severe in the first half of 2020, where the Sino-US trade tensions continued. The private consumption sector remained prudent and stayed cautious, and corporations may have to be more careful in their expanding business plans in the face of various headwinds and the weakened economic outlook.

BUSINESS REVIEW

During the Period, the Group's total revenue decreased by approximately 39.7% to approximately HK\$82.5 million. The revenues generated in the markets of Hong Kong and Macau accounted for 96.6% and 3.4% respectively of the Group's revenue. The Group's gross profit at approximately HK\$22.7 million, which was decreased by 17.1% as compared to the same period last year. The net loss for the Period decreased by 75.7% to HK\$2.1 million due to the effective control on costing.

Hong Kong

During the Period, sales of the Group in Hong Kong decreased by 39.3% to approximately HK\$79.7 million. The revenue came from the 5 "Milan Station" retail stores, the 7 "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 decrease was mainly due to the outbreak of Coronavirus Disease 2019 ("COVID-19") epidemic in 2020 and the contagion of COVID-19 has spread worldwide.

Management Discussion and Analysis

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 and adhered to the principle of providing genuine and certified products for its customers and formulated stringent and systematic product certification programs. During this period, the Group also focus on the control on cost in order to overcome the effect from COVID-19. The Group tried to negotiate with the landlord for cheaper rent. During the period, the Group continued to devote more human resources to the management of merchandise quality, and strengthened the product certification programs with the finer division of labor to ensure that all the products were inspected by professional team. These measures helped the Group to maintain the "Milan Station" brand reputation and earn market recognition, pursuant to which it strengthened the Group's leading position in the luxury handbags trading industry under the adverse operating environment.

As at 30 June 2020, the Group held the listed securities in Hong Kong with the fair value of HK\$7.4 million under financial assets at fair value through profit or loss. The Group recognised an unrealised loss on financial assets at fair value through profit or loss of approximately HK\$1.8 million. In light of the recent volatile financial market in Hong Kong, the Group will closely monitor the performance of this business and keep adopting a prudent investment attitude with the aim to improve the capital usage efficiency and generate additional investment returns on the idle funds of the Group.

Macau

The business performance of its points of sale in exclusive clubhouses performed better during the period. The Group's revenue from the Macau market decreased by 50.9% to approximately HK\$2.8 million. The decrease was mainly due to the COVID-19 resulted in the restriction on travellers. The Group will continue to adjust the product mix of point of sale in exclusive clubhouses.

FINANCIAL REVIEW

Revenue

During the Period, total revenue decreased to approximately HK\$82.5 million, representing a decrease of 39.7% as compared to approximately HK\$136.9 million recorded in the corresponding period last year. Handbags were the most important product category for the Group, representing over 84.4% of the total revenue of the Group. The revenue generated from the sales of unused products decreased from approximately HK\$103.8 million recorded in the corresponding period last year, representing 75.8% of the total revenue of the Group, to approximately HK\$62.6 million during the Period, representing 75.9% 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 2020, the revenue generated from the Hong Kong market was approximately HK\$79.7 million, representing approximately 96.6% of the total revenue of the Group. Revenue generated from the Macau market decreased from approximately HK\$5.7 million during the corresponding period last year to approximately HK\$2.8 million during the Period.

Management Discussion and Analysis

The table below sets out the breakdown of the Group's revenue recorded for the six months ended 30 June 2020 and 2019 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				Approximate percentage change in revenue %
	2020		2019		
	HK\$ million	Approximate percentage of total revenue %	HK\$ million	Approximate percentage of total revenue %	
By product categories (handbags and other products)					
Handbags	69.6	84.4	115.3	84.2	(39.6)
Other products	12.9	15.6	21.6	15.8	(40.3)
Total	82.5	100.0	136.9	100.0	(39.7)
By product categories (unused and second-hand products)					
Unused products	62.6	75.9	103.8	75.8	(39.7)
Second-hand products	19.9	24.1	33.1	24.2	(39.9)
Total	82.5	100.0	136.9	100.0	(39.7)
By price range of products					
Within HK\$10,000	15.9	19.3	25.0	18.2	(36.4)
HK\$10,001 – HK\$30,000	15.3	18.5	22.7	16.6	(32.6)
HK\$30,001 – HK\$50,000	6.9	8.4	10.5	7.7	(34.3)
Above HK\$50,000	44.4	53.8	78.7	57.5	(43.6)
Total	82.5	100.0	136.9	100.0	(39.7)
By geographical locations					
Hong Kong	79.7	96.6	131.2	95.8	(39.3)
Macau	2.8	3.4	5.7	4.2	(50.9)
Total	82.5	100.0	136.9	100.0	(39.7)

Management Discussion and Analysis

Cost of sales

For the six months ended 30 June 2020, cost of sales of the Group was approximately HK\$59.9 million, decreased by 45.3% as compared to the same period last year. The decrease in cost of sales was in line with the decrease in revenue. Cost of sales mainly consists of cost of inventories sold by the Group's suppliers.

Gross profit and gross profit margin

Gross profit of the Group for the Period decreased by HK\$4.6 million to approximately HK\$22.7 million, with its gross profit margin increased by 20% to 27.5%.

Inventory analysis

The Group's total inventories as at 30 June 2020 and 31 December 2019 were approximately HK\$42.8 million and HK\$42.9 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 2020 and 31 December 2019:

Aging of inventories (handbags products)

0 to 90 days
91 to 180 days
181 days to 1 year
Over 1 year

Total

As at 30 June 2020	As at 31 December 2019
HK\$'000	HK\$'000
9,384	13,377
7,425	4,778
8,818	9,289
14,917	10,876
40,544	38,320

The following table sets forth an aging analysis of inventories for the Group's other products as at 30 June 2020 and 31 December 2019:

Aging of inventories (other products)

0 to 45 days
46 to 90 days
91 days to 1 year
Over 1 year

Total

As at 30 June 2020	As at 31 December 2019
HK\$'000	HK\$'000
312	281
370	684
630	1,154
990	593
2,302	2,712

Management Discussion and Analysis

The following table sets forth an aging analysis of inventories for the Group's premium priced handbag products over HK\$50,000 as at 30 June 2020 and 31 December 2019:

	As at 30 June 2020	As at 31 December 2019
	HK\$'000	HK\$'000
Aging of inventories (handbags products over HK\$50,000)		
0 to 90 days	5,241	9,556
91 to 180 days	5,117	2,877
181 days to 1 year	6,064	5,294
Over 1 year	5,692	5,973
Total	22,114	23,700

Other income and gains/(losses)

Other income and gain amounted to approximately HK\$2.1 million, increased by HK\$3.4 million as compared to other losses amounted to approximately HK\$1.3 million in the corresponding period last year. The increase was mainly attributable to the subsidiary from government.

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 2020, selling expenses of the Group were approximately HK\$14.3 million, representing 17.3% of its revenue (six months ended 30 June 2019: approximately HK\$18.8 million, representing 13.7% of revenue). Selling expenses continued to decline during the Period, mainly due to decrease in salaries expenses and rental expenses.

Administrative and other operating expenses

Administrative and other operating expenses of the Group for the six months ended 30 June 2020 amounted to approximately HK\$12 million, representing approximately 14.5% of the revenue, decreased by approximately HK\$3.1 million as compared to the corresponding period last year. The Group's administrative and other operating expenses mainly consist of directors' remuneration, employee benefit expenses for the senior management and administrative staff, as well as legal and professional expenses.

Finance costs

Finance costs of the Group mainly consists of interest expenses on bank overdrafts and borrowings, interest expense on lease liability and finance leases. Finance costs decreased from approximately HK\$1 million to approximately HK\$0.4 million in the Period.

Management Discussion and Analysis

Loss attributable to the owners of the Company

Loss attributable to the owners of the Company for the six months ended 30 June 2020 was approximately HK\$1.6 million, representing a decrease of 81.6% from approximately HK\$8.7 million for the period ended 30 June 2019. Loss per share attributable to the owners of the Company was approximately HK0.8 cents for the six months ended 30 June 2020, as compared to approximately HK4.3 cent for the six months ended 30 June 2019.

Employees and remuneration policy

As at 30 June 2020, the Group had a total of 63 employees (31 December 2019: 65 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 2020 and 31 December 2019, the Group did not have any bank borrowing.

As at 30 June 2020, the Group's total balance of cash and cash equivalents, total liabilities and shareholders' equity were approximately HK\$11.1 million, HK\$35.5 million and HK\$61.1 million respectively (31 December 2019: approximately HK\$14.3 million, HK\$44.5 million and HK\$70.2 million respectively). The Group's gearing ratio (Note 1), current ratio (Note 2) and quick ratio (Note 3) as at 30 June 2020 were approximately 16.6%, 2.4 and 1.1 respectively (31 December 2019: 32.3%, 2.4 and 1.3 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 2020 and 31 December 2019, the Group had no assets and bank deposits were pledged to banks to secure the bank borrowing and general banking facilities granted to the Group.

Foreign exchange policy

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

Management Discussion and Analysis

Contingent liabilities

As at 30 June 2020, 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 2020 and 31 December 2019.

Significant Investments

The Group held significant investments under financial assets at fair value through profit or loss and available-for-sales investment as below:

Company	Stock code	As at 1 January 2020 HK\$'000	Loss on disposal HK\$'000	Fair value gain/(loss) HK\$'000	As at 30 June 2020 HK\$'000	Percentage of shareholding (approximately)	Approximate percentage to the total assets
China e-Wallet Payment Group Limited	802	4,520	–	(1,640)	2,880	1.46%	3.0%
Others		4,730	–	(190)	4,540		4.8%
		9,250	–	(1,830)	7,420		

Except the significant investments disclosed above, there was no investment held by the Group of which the value was more than 5% of the total assets of the Group.

OUTLOOK

Global economic recovery is likely to be uneven and bumpy. The threat of the pandemic will continue to cloud the global economic outlook until an effective vaccine is widely available. The surge of COVID-19 infections since mid-July and the resultant tightening of social distancing measures have heavily weighed on private consumption and business sentiment. Containing the epidemic is pivotal to the recovery of local consumption activity.

The Hong Kong Government's latest forecast on economic growth forecast for 2020 was revised downwards to –6% to –8%, which implied that the Hong Kong economy is expected to face a longer period of down-turning pressure in the future.

Many countries have been loosening measures of restriction as they started resuming business and social activities. Yet, economic recovery may take some time to gather momentum. Looking forward, the pandemic resurgence, geopolitical tensions and trade protectionism will continue to challenge the Hong Kong economy.

In the persisting deep turmoil induced by US-China trade relation and COVID-19 epidemic to global market, the management will impose most prudent business policy to operate with great caution and lead the Group through unprecedented challenges.

The management will continue to monitor the effects from the potential global issues and local consumers' behavior in order to strength our core business and seek for better growth prospects and returns. The Group will also emphasis on costs control, adopt new business model and review the retail strategy.

The management believes, with the tremendous efforts by all our staff, the Group will strengthen our competitiveness overcome the challenges in the coming future and continue our growth with the diverting business model.

Additional Information

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

As at 30 June 2020, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") to be notified to the Company and the Stock Exchange.

SHARE OPTIONS

The Company operates a share option scheme adopted by the Company on 28 April 2011 (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The movements in share options granted under the Scheme during the six months ended 30 June 2020 are shown below:

Name or category of participants	Number of share options						At 30 June 2020	Date of grant of share options	Validity period of share options	Exercise price of share options HK\$ per share
	At 1 January 2020	Granted during the year	Exercised during the year (Note)	Expired during the year	Reclassified during the year	Lapsed during the year				
Director										
Hu Bo	2,000,000	-	-	-	-	-	2,000,000	12-4-19	12-4-19 to 11-4-22	0.472
	-	2,034,000	-	-	-	-	2,034,000	17-4-20	17-4-20 to 16-4-22	0.11
Li Zhongqi	-	2,034,000	-	-	-	-	2,034,000	17-4-20	17-4-20 to 16-4-22	0.11
Other employees/consultants										
In aggregate	16,855,000	-	-	-	-	(16,855,000)	-			
	18,306,500	-	-	-	-	-	18,306,500	12-4-19	12-4-19 to 11-4-22	0.472
	-	16,272,800	-	-	-	-	16,272,800	17-4-20	17-4-20 to 11-4-22	0.11
	37,161,500	20,340,800	-	-	-	(16,855,000)	40,647,300			

The closing price of the Company's shares immediately before the date on which the share options were granted, i.e., 27 July 2017, 12 April 2019 and 17 April 2020, were HK\$0.142, HK\$0.12 and HK\$0.092 per share respectively.

During the Period, (i) no share options under the Scheme were exercised; and (ii) no share options under the Scheme were lapsed.

As at the date of this interim report, a total of 40,647,300 shares options were granted and the total number of shares available for issue under the Scheme is 203,408,250, which represents approximately 20% of the total number of issued shares of the Company as at 31 August 2020 (i.e. 203,408,250 shares).

Additional Information

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

As at 30 June 2020, shareholders of the Company (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company are set out below:

	Capacity	Number of ordinary shares held	Approximate percentage of total number of issued shares
Chen Huaijun	Beneficial owner	12,500,000	6.15%

Save as disclosed above, as at 30 June 2020, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS

The proceeds from the listing, after deduction of related issuance expenses, amounted to HK\$6 million.

SHARE CONSOLIDATION

An extraordinary general meeting (the "EGM") was held on 20 March 2020 in which the resolutions regarding the proposed share consolidation involving the consolidation of every four (4) issued and unissued existing shares of par value of HK\$0.01 each in the share capital of the Company into one (1) consolidated share with a par value of HK\$0.04 each (the "Share Consolidation") was passed by the shareholders of the Company. The Share Consolidation became effective on 24 March 2020. Upon completion of the Share Consolidation, the authorised share capital of the Company was HK\$20,000,000 divided into 5,000,000 Shares, of which 203,408,250 Shares are in issue and fully paid. Details of the Share Consolidation were disclosed in the Company's announcements dated 20 February 2020, 24 March 2020 and the circular of the Company dated 4 March 2020.

THE IMPACT OF NOVEL CORONAVIRUS

Since January 2020, the outbreak on Novel Coronavirus ("COVID-19") has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 cause significant decrease in the Group's revenue. Pending the development and spread of COVID-19 subsequent to the date of the interim financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these interim financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

Additional Information

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2020, the Company had complied with all applicable code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules save as disclosed below.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of the Directors, all the Directors confirmed that they complied with the required standards as set out in the Model Code throughout the six months ended 30 June 2020.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the Listing Rules. The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Tou Kin Chuen (chairman), Mr. Chan Chi Hung and Mr. Choi Kam Yan, Simon. The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the six months ended 30 June 2020 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 2020, 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 2020, the Nomination Committee comprises three members, a majority of whom are independent non-executive Directors, namely, Mr. Hu Bo (chairman), Mr. Chan Chi Hung and Mr. Tou Kin Chuen.

Additional Information

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

For the period ended 30 June 2020, 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 2020 (six months ended 30 June 2019: Nil).

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

Hong Kong, 31 August 2020