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LIFESTYLE PROPERTIES DEVELOPMENT LIMITED

利福地產發展有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2183)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

INTERIM RESULTS

The board of directors (the “**Board**”) of Lifestyle Properties Development Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2014, together with comparative figures for the corresponding period in 2013, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

		Six months ended 30 June	
	<i>NOTES</i>	2014	2013
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Turnover	3	-	4,490
Operating expenses		(4,897)	(7,374)
Other income, gains and losses	4	10,007	28,771
Staff costs		(9,074)	(3,129)
Depreciation and amortisation		(792)	(975)
Investment properties			
- realised gain on disposal of an investment property holding subsidiary		-	56,916
- unrealised fair value change		(979)	6,297
Fair value changes on financial assets at fair value through profit or loss		-	(737)
Other expenses		-	(3,304)
Finance costs	5	-	(409)
(Loss) profit before taxation		(5,735)	80,546
Taxation	6	(5)	(2,051)
(Loss) profit for the period attributable to owners of the Company	7	(5,740)	78,495
Other comprehensive (expense) income attributable to owners of the Company:			
Item that will not be reclassified to profit or loss:			
Exchange differences arising on translation of functional currency to presentation currency		(44,454)	2,865
Total comprehensive (expense) income for the period attributable to owners of the Company		(50,194)	81,360
Loss per share – Basic (HK cents)	8	(1.37)	N/A

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2014**

		30 June 2014	31 December 2013
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		700,738	716,753
Property, plant and equipment		33	842
Properties under development		59,415	43,919
Prepaid lease payments		679,655	705,799
		1,439,841	1,467,313
Current assets			
Other receivables	9	1,662	351,142
Amount due from a fellow subsidiary		500	675
Financial assets at fair value through profit or loss		29,075	29,075
Bank balances and cash		605,418	285,749
		636,655	666,641
Current liabilities			
Other payables and accrued charges	10	4,192	7,140
Amount due to a fellow subsidiary		124	329
Tax payable		199,806	199,806
		204,122	207,275
Net current assets		432,533	459,366
Total assets less current liabilities		1,872,374	1,926,679
Non-current liability			
Deferred tax liabilities		165,761	169,872
Net assets		1,706,613	1,756,807
Capital and reserves			
Share capital		41,911	41,911
Reserves		1,664,702	1,714,896
		1,706,613	1,756,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as 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 "Stock Exchange").

In preparation of the listing of the shares of the Company on the Main Board of the Stock Exchange (the "Listing"), the companies comprising the Group underwent a group reorganisation (the "Reorganisation") to rationalise the structure of the Group. Details of the Reorganisation are more fully explained under section headed "Reorganisation" in the prospectus dated 2 September 2013 issued by the Company (the "Prospectus"). As a result of the Reorganisation, the Company became the holding company of the companies comprising the Group on 14 August 2013.

The companies comprising the Group were under common control of a controlling party, Lifestyle International Holdings Limited ("LIHL"), prior to and after the Reorganisation and therefore is regarded as a continuing entity. The condensed consolidated financial statements have been prepared as if the Company has been the holding company of the companies comprising the Group throughout the six months ended 30 June 2013. The condensed consolidated statement of profit or loss and other comprehensive income and statement of cash flows which include the results and cash flows of the companies comprising the Group have been prepared by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as if the group structure upon completion of the Reorganisation has been in existence throughout that period or since their respective dates of incorporation or establishment, where this is a shorter period.

The shares of the Company were listed on the Stock Exchange on 12 September 2013.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

2. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and Interpretations issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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 application of the above amendments to HKFRSs and Interpretations in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents rental income received from operating leases in the People's Republic of China (the "**PRC**") during the period.

Operating segment

The Group's operating activities are attributable to a single operating segment focusing on properties development and property investment. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief operating decision maker ("**CODM**") (i.e. the executive directors of the Company). The CODM regularly reviews revenue analysis and properties portfolios by locations and considers them as one single operating segment since all properties, including those situated in Hong Kong and the PRC, are held by the Group for capital appreciation and development. Other than revenue analysis, no operating results and other discrete financial information is available for the assessment of performance of the respective locations.

The CODM reviews the profit for the period (before unrealised gains and changes in fair value of investment properties) of the Group as a whole to make decisions about resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information other than entity level information is prepared.

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest income on bank deposits	5,944	455
Imputed interest income	1,622	3,244
Net exchange gain	473	22,225
Management fee income	-	966
Loss incurred in relation to disposal of a subsidiary in 2013 (note 9)	(1,683)	-
Project management income	3,651	-
Other income	-	1,881
	<u>10,007</u>	<u>28,771</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on amounts due to fellow subsidiaries (interest bearing portion)	-	409
	<u>-</u>	<u>409</u>

6. TAXATION

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
The taxation charge comprises:		
Hong Kong Profits Tax	5	-
PRC tax	-	100,930
	<u>5</u>	<u>100,930</u>
Deferred tax	-	(98,879)
	<u>5</u>	<u>2,051</u>

Provision of Hong Kong Tax is calculated at 16.5% of the assessable profit during both periods.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

7. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period has been arrived at after charging:		
Release of prepaid lease payments	9,062	-
Less: Amount capitalised in properties under development	(9,062)	-
	<u>-</u>	<u>-</u>
Depreciation of property, plant and equipment	792	975
Staff costs	9,074	3,129
	<u><u>9,074</u></u>	<u><u>3,129</u></u>

8. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(5,740)	N/A
	<u><u>(5,740)</u></u>	<u><u>N/A</u></u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Number of shares for the purpose of basic loss per share	419,114	N/A
	<u><u>419,114</u></u>	<u><u>N/A</u></u>

No diluted loss per share is presented as there were no dilutive potential ordinary shares during the current period.

No earnings per share information is presented for the six months ended 30 June 2013 as its inclusion is not considered meaningful having regard to the capital structure of the Group in the prior period.

9. OTHER RECEIVABLES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Consideration receivable for disposal of a subsidiary (note)	-	349,964
Value added tax ("VAT") receivables	545	547
Prepayments	207	275
Rental, utility and other deposits	119	141
Interest receivable	662	105
Others	129	110
	<u>1,662</u>	<u>351,142</u>

Note: The amount at 31 December 2013 comprised HK\$2,562,000 and HK\$347,402,000, respectively, represented the guarantee deposit receivable and final payment receivable from an independent third party arising from the disposal of Li Hua Jia Commercial Building (Tianjin) Co., Ltd. ("**Li Hua Jia (Tianjin)**"). The final payment receivable had been fully settled during the current interim period. In respect to the guarantee deposit receivable, an amount of approximately HK\$811,000 had been settled during the current interim period, while the remaining balance had been charged to profit or loss (included in other income, gains and losses) as certain charges and expenses incurred by Li Hua Jia (Tianjin) should be borne by the Group pursuant to the sales and purchase agreement and was deducted from the guarantee deposit.

10. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2014 HK\$'000	31 December 2013 HK\$'000
Payables in respect of construction in progress	129	217
Accrued charges	3,866	6,585
Others	197	338
	<u>4,192</u>	<u>7,140</u>

INTERIM DIVIDEND

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

FINANCIAL REVIEW

Turnover

The Group ceased to receive any rental income following disposal of the property in Tianjin in April 2013 as the Group's other investment properties remained vacant during the period. As such, no turnover was recorded in the first half of 2014.

Loss for the period attributable to owners of the Company

Loss for the period attributable to owners of the Company was approximately HK\$5.7 million (2013: profit of HK\$78.5 million). During the period under review, the Group did not receive any rental income from its investment properties and the only income source comprised mainly interest income from bank deposits and project management services income from LIHL, which in aggregate, was not sufficient to cover the Group's operating costs. The turnaround from a profit in the same period last year to a loss this current review period was mainly attributable to (1) a fair value loss of approximately HK\$1.0 million on the Group's investment properties was recorded (2013: gain of HK\$6.3 million) and (2) no disposal gain from the Group's investment properties was recorded, whereas there was a disposal gain of HK\$56.9 million recognised in the same period last year.

Operating expenses

Operating expenses decreased from approximately HK\$7.4 million in the first half of 2013 to approximately HK\$4.9 million in the first half of 2014 was due to the cessation of the leasing business at the Group's property in Tianjin following its disposal.

Other income, gains and losses

Other income, gains and losses in the current period included mainly interest income from bank deposits of approximately HK\$5.9 million and project management services income of HK\$3.6 million, whereas there was a large exchange gain of approximately HK\$22.2 million recorded in the same period last year.

Staff cost

The staff cost increased from approximately HK\$3.1 million in the first half of 2013 to approximately HK\$9.1 million in the first half of 2014 was mainly due to increase in the headcounts following the listing of the Company in September 2013 when members of the original property team got transferred to the Group. On the contrary, the staff cost incurred before disposal of the Group's property in Tianjin in April last year related mainly to staff working for the then property leasing operation in Tianjin.

Loss from investment properties

During the period, the Group recorded an unrealised fair value loss of approximately HK\$1.0 million from the Group's investment properties. In the same period last year, the same group of investment properties contributed unrealised fair value gain of approximately HK\$6.3 million in addition to a realised gain of approximately HK\$56.9 million from disposal of the property in Tianjin.

Fair value changes on financial assets at fair value through profit or loss

This represented the estimated fair value change on the Group's 10% equity interest in Shenyang Jiajian Property Development Company Limited, a single project property development company situated in Shenyang, Liaoning Province, PRC.

Finance costs

No finance costs incurred for the period as the related loan from fellow subsidiary has been fully repaid since last year (2013: approximately HK\$0.41 million).

Liquidity and Financial Resources

As at 30 June 2014, the Group was debt free and no financial instrument was entered into, with approximately HK\$605.4 million cash and bank balances (31 December 2013: approximately HK\$ 285.7 million), of which approximately 73% was held at banks in Hong Kong (31 December 2013: approximately 66%) and the remaining approximately 27% was deposited with banks in the PRC (31 December 2013: approximately 34%). The Group did not have any banking facilities at 30 June 2014 (31 December 2013: nil) but will arrange appropriate banking facility as and when necessary.

Pledge of assets

At 30 June 2014, none of the Group's assets was pledged (31 December 2013: nil).

Capital expenditure

Capital expenditure incurred for the six months ended 30 June 2014 amounted to approximately HK\$7.5 million, primarily relating to site preparatory work in respect of the land under development in Shenyang (2013: approximately HK\$ 5.8 million).

Material acquisition, disposal and significant events

The Group did not have any material acquisition, disposal and significant event for the six months ended 30 June 2014.

Contingent liabilities

The Group did not have any contingent liabilities as at 30 June 2014 (31 December 2013: nil).

Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB in which most of their transactions are denominated. The Group and the Company did not have foreign currency transactions during the period which would expose the Group and the Company to significant foreign currency risk. However, the Group had certain non-functional currency denominated bank balances as at the end of the period.

REVIEW OF OPERATIONS

The Group is principally engaged in property development and property investment with the main objective of generating return through capital appreciation, including subsequent disposal of the properties concerned. Besides, the Group also carries out value-added work or activities to enhance the capital value of the properties before they are leased out or sold. During the period under review, no properties were leased out or sold by the Group.

Leveraging the management team with much experience in property development and project management, the Group continued providing project management services to LIHL during the period under review. These services are charged on a cost-plus basis and constitute continued connected transaction for the Group. The Group will continue looking for similar business opportunities in the market to broaden its revenue base.

Property investments

The Group's portfolio of investment properties includes certain properties in Hong Kong and the PRC. During the period, no rental income was generated from the Group's investment properties as all of them were left vacant. It is the intention of the Group to continue selling the Group's investment properties, both in Hong Kong and in the PRC, although the Group would not rule out the possibility of leasing some of them out for rental purposes should opportunities with attractive terms arise. As at 30 June 2014, the Group was still working closely with relevant government authorities in Harbin for completing the final inspection of the Harbin Property and obtaining the property ownership certificate. Before receipt of such property ownership certificate, the Group expects no formal sale and purchase agreement will be entered into for the disposal of the Harbin Property.

Properties development

Yifu Land

The Yifu Land is currently the only development project of the Group. The Group plans to develop, in two phases, a commercial complex with a three-level basement consists of retail shops, offices, car parking spaces and other facilities on the Yifu Land. The Group is still working closely with the relevant government authorities for granting the various approvals and permits before construction work on Yifu Land can be commenced. Based on the recent development and discussion with the relevant government officials and given the extremely cold weather condition in Shenyang during the winter time that renders outdoor construction works impossible, the directors are of the view that commencement of construction on Yifu Land is very likely to be postponed to the second quarter of 2015 when the weather should be more appropriate for outdoor works.

OUTLOOK AND PLAN

Yifu Land will remain the Group's only development project in the foreseeable future as no new site or property have yet been identified for investment or development purposes. Much of the Group's financial resources will be allocated to the development of Yifu Land in the next few years. Situated at a relatively prime location in Shenhe District and next to LIHL's department store, the Group has confidence in the prospects of success of the Yifu Land project.

All of the properties currently held by the Group are of commercial or non-residential nature. While the Group intends to continue focusing on commercial properties, it will also seek opportunities in projects which may include elements of residential property. Although the property market in both mainland China and Hong Kong had experienced some headwinds in the past year or so, it is likely that there may be policies to be implemented by both central and local governments to stabilizing the property market from time to time and therefore management is still optimistic about the property markets in the long run. The Group's management team has experiences in developing both commercial and residential properties and has geared up for opportunities in China's rapid urbanization and the country's growing demand for both commercial and residential properties. The Group will take steps to identify potential land parcels at strategic locations, which are suitable for property development and investment and to expand its land bank in both Hong Kong and mainland China if opportunities arise.

EMPLOYEES

As at 30 June 2014, the Group employed a total of 64 employees, 56 of them are based in mainland China. Staff costs (excluding directors' emoluments) for the six months ended 30 June 2014 amounted to approximately HK\$7.6 million (2013: HK\$2.8 million). The Group ensures that the pay levels of its employees are competitive and in line with market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company throughout the six months ended 30 June 2014.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance practices to enhance shareholder value and safeguard shareholders' interests. The Group's corporate governance principles emphasize the importance of a quality Board, effective internal controls and accountability to all the shareholders of the Company. In the opinion of the Directors, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2014. The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2014 have been reviewed by the Audit Committee, and by the auditor of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

ACKNOWLEDGEMENT

I would like to thank the Board, the management and all of our staff for their hard work and dedication, as well as our shareholders for their continuous support to the Group.

On behalf of the Board
Lifestyle Properties Development Limited
Chan Chor Ling, Amy
Executive Director

Hong Kong, 28 July 2014

As at the date of this announcement, the Board comprises Ms. Chan Chor Ling, Amy and Ms. Chan Siu Chun, Candy (alias Ms. Chan Siu Chun) as the executive Directors, Mr. Lau Luen Hung, Thomas and Mr. Wong Man Hoi as the non-executive Directors, and Mr. Lam Siu Lun, Simon, Mr. Robert Charles Nicholson and Mr. Wong Kun Kau as the independent non-executive Directors.