LIFESTYLE INTERNATIONAL HOLDINGS LIMITED
利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1212)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

- Turnover amounted to HK$2,877 million, an increase of 0.9%
- Profit attributable to owners of the Company down 7.2% to HK$1,017.8 million, largely due to absence of an one-off disposal gain of HK$107.7 million
- Earnings per share decreased 6.1% to HK cents 62.0
- Interim dividend HK cents 24.8 per share

INTERIM RESULTS

The board of directors (the "**Board**") of Lifestyle International Holdings 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

	NOTES	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Turnover	3	**2,876,966**	2,851,144
Cost of sales	4	**(1,141,219)**	(1,156,040)
Gross profit		**1,735,747**	1,695,104
Other income, gains and losses		**73,765**	142,937
Selling and distribution costs		**(560,880)**	(518,096)
Administrative expenses		**(131,077)**	(127,520)
Investment income	5	**194,519**	77,672
Fair value changes on investment properties		**(979)**	6,297
Gain on disposal of a subsidiary		**-**	107,735
Share of profit of a joint venture		**15,139**	17,136
Share of profits of associates		**142,648**	155,202
Finance costs	6	**(136,383)**	(116,267)
Profit before taxation		**1,332,499**	1,440,200
Taxation	7	**(220,266)**	(235,622)
Profit for the period	8	**1,112,233**	1,204,578
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(187,802)**	109,302
Share of exchange differences of associates		**(39,605)**	20,965
Share of exchange difference of a joint venture		**(6,004)**	4,166
		(233,411)	134,433
Reclassification of exchange differences upon disposal of a subsidiary		**-**	(50,819)
Other comprehensive (expense) income for the period		**(233,411)**	83,614
Total comprehensive income for the period (net of tax)		**878,822**	1,288,192
Profit for the period attributable to:			
Owners of the Company		**1,017,784**	1,096,931
Non-controlling interests		**94,449**	107,647
		1,112,233	1,204,578
Total comprehensive income attributable to:			
Owners of the Company		**817,877**	1,169,849
Non-controlling interests		**60,945**	118,343
		878,822	1,288,192
Earnings per share	10		
– basic		**HK$0.620**	HK$0.660
– diluted		**HK$0.620**	HK$0.659

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

	NOTES	**30 June 2014** **_HK$'000_** **(Unaudited)**	31 December 2013 *HK$'000* (Audited)
Non-current assets			
Investment properties		**700,738**	716,753
Property, plant and equipment		**5,289,730**	5,211,461
Prepaid lease payments		**4,327,507**	4,497,222
Long-term deposits paid		**37,100**	27,852
Interests in associates		**2,785,231**	2,682,188
Interest in a joint venture		**495,366**	486,231
Club debenture		**15,637**	15,637
		13,651,309	13,637,344
Current assets			
Inventories		**69,413**	80,339
Prepaid lease payments		**92,751**	95,052
Trade and other receivables	*11*	**278,966**	657,713
Amount due from a joint venture		**170,319**	230,570
Financial assets at fair value through profit or loss		**3,498,392**	3,345,920
Bank balances and cash		**9,996,078**	8,669,060
		14,105,919	13,078,654
Current liabilities			
Trade and other payables	*12*	**2,022,016**	2,690,620
Amount due to a joint venture		**152,783**	156,391
Tax payable		**413,708**	358,620
Bank borrowings – due within one year		**3,774,141**	1,857,774
Derivative financial liabilities		**1,726**	12,580
		6,364,374	5,075,985
Net current assets		**7,741,545**	8,002,669
Total assets less current liabilities		**21,392,854**	21,640,013

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE 2014

	30 June 2014 HK$'000 (Unaudited)	31 December 2013 HK$'000 (Audited)
Non-current liabilities		
Bank borrowings – due after one year	**2,555,093**	2,818,433
Bonds	**6,167,431**	6,165,476
Deferred tax liabilities	**224,153**	211,441
Amount due to a non-controlling shareholder of subsidiaries	**176,596**	180,893
	9,123,273	9,376,243
	12,269,581	12,263,770
Capital and reserves		
Share capital	**8,147**	8,252
Reserves	**10,401,284**	10,456,313
Equity attributable to owners of the Company	**10,409,431**	10,464,565
Non-controlling interests	**1,860,150**	1,799,205
	12,269,581	12,263,770

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 “Interim Financial Reporting” (HKAS 34) issued by the Hong Kong Institute of Certified Public Accountants (the “**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**”).

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.

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 represents the amount received and receivable for goods sold by the Group to outside customers (net of discounts and sales related taxes), income from concessionaire sales, service income and rental income during the period, and is analysed as follows:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Sales of goods – direct sales	**1,564,392**	1,563,025
Income from concessionaire sales	**1,193,914**	1,169,153
Service income	**57,578**	61,487
Rental income	**61,082**	57,479
	2,876,966	2,851,144

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June 2014

	Hong Kong	**People's Republic of China ("PRC")**	**Consolidated total**
	HK$'000	***HK$'000***	***HK$'000***
Segment revenue			
External sales	**2,250,797**	**626,169**	**2,876,966**
Result			
Segment result	**1,010,624**	**106,931**	**1,117,555**
Investment income			**194,519**
Fair value changes on investment properties			**(979)**
Share of profit of a joint venture			**15,139**
Share of profits of associates			**142,648**
Finance costs			**(136,383)**
Profit before taxation			**1,332,499**

3. TURNOVER AND SEGMENT INFORMATION (Continued)

Six months ended 30 June 2013

	Hong Kong HK$'000	PRC HK$'000	Consolidated total HK$'000
Segment revenue			
External sales	2,248,222	602,922	2,851,144
Result			
Segment result	1,009,575	182,850	1,192,425
Investment income			77,672
Fair value changes on investment properties			6,297
Gain on disposal of a subsidiary			107,735
Share of profit of a joint venture			17,136
Share of profits of associates			155,202
Finance costs			(116,267)
Profit before taxation			1,440,200

Segment profit represents the profit earned by each segment without share of profits of associates and a joint venture, gain on disposal of a subsidiary, fair value changes on investment properties, investment income and finance costs. This is the measure reported to the board of directors, being the chief operating decision maker, for the purposes of resource allocation and performance assessment.

4. COST OF SALES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
The cost of sales are analysed as follows:		
Cost of goods sold	**1,104,695**	1,114,529
Other cost of sales	**36,524**	41,511
	1,141,219	1,156,040

5. INVESTMENT INCOME

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interest income on bank deposits	**102,548**	66,362
Imputed interest income (Note)	**1,622**	3,244
Dividend income from financial assets at fair value through profit or loss ("**FVTPL**")	**15,196**	11,745
Change in fair value of financial instruments:		
- financial assets at FVTPL other than derivative financial instruments	**54,128**	(18,044)
- derivative financial instruments	**15,554**	10,270
Others	**5,471**	4,095
	194,519	77,672

Note: Imputed interest income represented unwinding of imputed interest arising on amortisation of fair value adjustment of deferred consideration receivable for disposal of a subsidiary.

6. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**56,455**	46,640
Bonds:		
– wholly repayable within five years	**102,058**	102,056
– wholly repayable after five years	**50,505**	50,464
Others	**7,593**	7,854
	216,611	207,014
Less: Amount capitalised	**(80,228)**	(90,747)
	136,383	116,267

7. TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**170,192**	166,819
PRC Enterprise Income Tax (note)	**33,251**	154,873
	203,443	321,692
Deferred tax	**16,823**	(86,070)
	220,266	235,622

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 June 2013: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30 June 2013: 25%) on the estimated assessable profit for the period.

Note:

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Tax arising from disposal of a subsidiary	-	100,930
PRC Enterprise Income Tax	**33,251**	53,943
	33,251	154,873

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation	**127,303**	108,928
Release of prepaid lease payments	**60,921**	68,425
Less: Amount capitalized in construction in progress	**(48,765)**	(62,928)
	12,156	5,497

9. DIVIDENDS

During the current interim period, a final dividend of HK cents 32.7 per share in respect of the year ended 31 December 2013 (2013: HK cents 27.6 per share in respect of the year ended 31 December 2012) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$535,176,000 (2013: HK$458,430,000).

On 29 July 2013, in connection with the proposed spin-off listing of the shares of Lifestyle Properties Development Limited ("**Lifestyle Properties**", presently a non-wholly owned subsidiary of the Company) on the Stock Exchange, the Company declared a conditional special interim dividend by way of distribution in specie of one share of Lifestyle Properties for every 20 shares held in the Company to shareholders of the Company. On 12 September 2013, a total of 82,588,800 shares of Lifestyle Properties were distributed to the shareholders of the Company amounting to HK$393,809,000.

Subsequent to the end of the interim period, the board of directors has declared that an interim dividend of HK cents 24.8 (2013: HK cents 26.4) in cash per share will be paid to the owners of the Company whose names appear in the Register of Members on 15 August 2014.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**1,017,784**	1,096,931

	30 June 2014	30 June 2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,640,915**	1,661,581
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**350**	3,075
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,641,265**	1,664,656

11. TRADE AND OTHER RECEIVABLES

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Trade receivables	**56,953**	85,706
Consideration receivable for disposal of a subsidiary	-	349,964
Other receivables, deposits and prepayments	**222,013**	222,043
	278,966	657,713

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments without a defined credit policy. The Group's major trade receivables arose from credit card sales. Other trade receivables are normally settled 30 days in arrear. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
0 – 30 days	**52,727**	79,822
31 – 60 days	**3,420**	4,783
61 – 90 days	**590**	517
Over 90 days	**216**	584
	56,953	85,706

12. TRADE AND OTHER PAYABLES

	30 June 2014 *HK$'000*	31 December 2013 *HK$'000*
Trade payables	**185,604**	286,140
Concessionaire sales payable	**841,073**	1,235,160
Other payables, deposits and accrued charges	**995,339**	1,169,320
	2,022,016	2,690,620

12. TRADE AND OTHER PAYABLES (Continued)

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	30 June 2014	31 December 2013
	HK$'000	*HK$'000*
0 – 30 days	**138,332**	238,868
31 – 60 days	**36,440**	41,351
61 – 90 days	**2,151**	3,728
Over 90 days	**8,681**	2,193
	185,604	286,140

The average credit period of trade payables and concessionaire sales payable is within 45 days. All concessionaire sales payable are aged within 45 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

INTERIM DIVIDEND

The Board has declared an interim dividend for 2014 of HK cents 24.8 (the "**Interim Dividend**") (2013: HK cents 26.4) in cash per share. The Interim Dividend will be paid on or about Wednesday, 27 August 2014 to shareholders whose names appear on the Register of Members of the Company at the close of business at 4:30 p.m. on Friday, 15 August 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the Interim Dividend, the Register of Members of the Company will be closed on Friday, 15 August 2014 during which no transfer of shares will be effected. In order to qualify for the Interim Dividend, all completed transfer forms accompanied by the relevant share certificate(s) must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 August 2014.

FINANCIAL REVIEW

TURNOVER AND SALES PROCEEDS

For the period under review, the Group's turnover recorded a mere 0.9% growth from HK$2,851.1 million recorded in the first half of 2013 to HK$2,877 million. Net sales proceeds remained flattish at HK$6,601.1 million, with the Hong Kong operations contributing HK$4,769.1 million and PRC stores HK$1,832 million, respectively accounting for 72.3% and 27.7% of the Group's sales proceeds. The decrease in contribution from the Group's Hong Kong operations was a result of loss of sales revenue due to closure of the SOGO TST since 12 February 2014 whereas sales contribution from the new Shenyang Jiuguang and Shanghai Freshmart was barely sufficient to make up the negative growth at Shanghai Jiuguang and Dalian Jiuguang.

GROSS PROFIT AND GROSS MARGIN

Gross profit margin as a percentage of net sales proceeds was 26.3% for the first half of 2014, compared with 25.6% for the same period in 2013. Gross profit rose to HK$1,735.7 million, up 2.4% from HK$1,695.1 million in 2013. Gross profit margin as a percentage of turnover increased to 60.3% from 59.5% in 2013. The improvement in margin was mostly a result of the increase in the Group's average concessionaire rate which edged up from 22.4% to 23.0%.

NET PROFIT

During the period under review, the Group's net profit attributable to owners of the Company was HK$1,017.8 million, down 7.2% from HK$1,096.9 million in 2013. The decrease in net profit was mainly due to the absence this year of a realized gain of HK$107.7 million upon disposal of a subsidiary that owned an investment property in Tianjin as recorded in the first half of 2013. As such, the Group's net profit margin as a percentage of turnover decreased from 38.5% to 35.4%.

OTHER INCOME

The smaller other income this period was due to the inclusion of an exchange loss of HK$58.3 million (2013: exchange gain of HK$25.1 million) on the Group's RMB denominated monetary assets and investments kept in Hong Kong as a result of the recent depreciation of the Renminbi. Excluding this currency exchange factor, other income increased mildly this period which was in line with the operating activities of Group, including additional income from the new operations.

SELLING AND DISTRIBUTION COSTS

Aggregate selling and distribution costs of the Group increased 8.3% as compared with the same period in 2013 as a result of inclusion of selling and distribution costs of the new Shenyang store (soft-opened in October 2013) and the standalone Freshmart supermarket in Shanghai (opened in July 2013), but was slightly off-set by the closure of the SOGO TST. Total selling and distribution expenses as a percentage of total sales proceeds of the Group increased slightly from approximately 7.8% in 2013 to 8.5% this period due to low sales productivity of the two new operations.

ADMINISTRATIVE EXPENSES

The Group's general administrative expenses increased to HK$131.1 million from HK$127.5 million recorded in the same period in 2013. The mild increase in administrative expenses was a combined effect of the net additional expenses of the two new operations and the closure of SOGO TST as mentioned in "Selling and Distribution Costs" section above, as well as the Group's effort in controlling costs, including reduction of headcounts in Hong Kong and Shanghai over the period.

FINANCE COSTS

The HK$136.4 million (2013: HK$116.3 million) represented the net finance costs after some HK$80.2 million (2013: HK$90.7 million) of interest has been capitalised as part of the costs in respect of the Group's property under development. The Group's finance costs comprised mainly interest expenses on the Group's bank loans and bonds. The higher cost this period was due to higher interest was incurred for the loan taken out at the new Shenyang store but was not capitalized after the store commenced business from October 2013 onward.

INVESTMENT INCOME

The Group's investment income went up significantly during the period to HK$194.5 million from HK$77.7 million in the same period in 2013. Investment income comprised mainly interest income from the Group's bank deposits, investment income from fixed income financial assets, realized gain on disposal of and dividends from listed securities. In addition, investment income also included fair value changes on the Group's financial investment portfolio which comprises mainly fixed income financial assets, listed equities as well as derivative contracts for hedging purposes. Comparing to the unrealized losses in the six months ended 30 June 2013 of approximately HK$31.8 million caused by a small downturn in the equity market in June last year, there was an unrealized fair value gains of approximately HK$47.9 million recorded in the six months ended 30 June 2014. As at 30 June 2014, the Group's financial investment portfolio was valued at approximately HK$3,447 million.

LIQUIDITY AND FINANCIAL RESOURCES

Excluding the financial investment portfolio, the Group was at net debt of HK$2,500.6 million as at 30 June 2014 (31 December 2013: HK$2,172.6 million), with approximately HK$9,996.1 million of cash and bank balances (31 December 2013: HK$8,669.1 million), and approximately HK$12,496.7 million of bank loans and bonds payable (31 December 2013: HK$10,841.7 million). Approximately 79% of the Group's total cash and bank balances were held at banks in Hong Kong and with the remaining approximately 21% being deposited with banks in the PRC. Of the cash at banks, approximately 66% was denominated in US dollar and Hong Kong dollar and approximately 34% was in Renminbi. Capital expenditure requirement was low during the period under review.

The bank loan balance of approximately HK$6,329.2 million at the period end included an outstanding loan amount of HK$4,235.4 million under the Hong Kong dollar-denominated five-year (due in September 2016) secured loan facility of HK$5,000 million, HK$3,336 million (or two-third of the facility) of which is in the form of term loan and repayable semi-annually during the five-year term and the remaining one-third of the facility is of a revolving nature. Interest on this loan facility is calculated with reference to the HIBOR. The remaining bank loan balance of approximately HK$2,093.8 million comprised: (1) secured project loans of RMB447.4 million (equivalent to HK$559.3 million), bearing interest calculated with reference to the PBOC lending rate; (2) an unsecured fixed rate three-year term loan of RMB290 million (equivalent to HK$362.5 million); and (3) short-term US dollar loans totalling US$151.2 million (equivalent to HK$1,172 million), which are secured against certain of the Group's financial investments, with the interest calculated with reference to the LIBOR. In addition, as at the period end, the Group had an un-utilised unsecured loan facility amounting to HK$400 million, which bears interest with reference to the HIBOR.

The bonds payable of approximately HK$6,167.4 million (or US$800 million due on maturity) (2013: US$800 million due on maturity) comprises a US$500 million 5-year (bearing interest at 5.25% and maturing in January 2017) and a US$300 million 10-year (bearing interest at 4.25% and maturing in October 2022) unsecured guaranteed bonds issued during 2012.

The Group's net debt to equity ratio (defined as borrowings less cash and bank balances divided by equity attributable to owners of the Company) was 24% (31 December 2013: 20.8%).

FOREIGN EXCHANGE MANAGEMENT

The functional currency of the Company and its major subsidiaries in Hong Kong is HK$ in which most of the transactions are denominated. The functional currency of those subsidiaries operating in the PRC is RMB in which most of the transactions are denominated. As described under the "Liquidity and Financial Resources" section above, other than HK$, certain monetary assets and liabilities of the Group are denominated in US$ or RMB. The Group currently does not have a comprehensive foreign currency hedging policy for the normal retailing business transactions as while HK$ is effectively pegged to US$ and that RMB is not yet fully convertible, the Group does not have significant exposure in transactions which are denominated in currencies other than HK$ and RMB. However, the Group has been taking measures in hedging its foreign currency exposure resulting from its financial investments portfolio. The management will continue to monitor closely the Group's foreign currency exposure and movements of the RMB and will consider taking out appropriate measures to hedging significant foreign currency exposure should the need arises.

Save for the above, the Group did not use any financial instruments for hedging purpose.

PLEDGE OF ASSETS

As at 30 June 2014, certain of the Group's land and buildings in Hong Kong with book value of approximately HK$1,392.1 million (31 December 2013: HK$1,414.2 million), together with shares in certain subsidiaries of the Group, were pledged to a syndicate of banks to secure the HK$5,000 million banking facility granted to the Group, of which HK$4,936 million (31 December 2013: HK$3,336 million) was utilised. In addition, certain of the Group's property, plant and equipment in the PRC and financial assets at fair value through profit or loss with carrying values of approximately HK$3,278.4 million (31 December 2013: HK$3,403.9 million) and HK$1,705.6 million (31 December 2013: HK$1,393.9 million) respectively have been pledged to secure loan facilities amounting to approximately RMB650 million (31 December 2013: RMB650 million) and US$255 million (31 December 2013: US$155 million).

MATERIAL ACQUISITIOINS AND DISPOSAL

There were no material acquisitions and disposals during the period under review.

CONTINGENT LIAIBILITIES

The Group did not have any material contingent liabilities as at 30 June 2014.

REVIEW OF OPERATIONS

RETAIL MARKET OVERVIEW

The first half of 2014 was rather challenging for the emerging markets as export growth was soft owing to subdued demand from the developed markets. Though economies of the developed markets showed various degrees of stabilization during the period, any recovery remained fragile.

Amidst the softened export growth together with relatively weak domestic demand, China saw its GDP growth slide to an 18-month low of 7.4% in the first quarter of the year. At the same time, the central bank's fresh effort to loosen the monetary policy during the review period began to show its effect in the second quarter, arresting a cool-down in activity such that the GDP growth rate edged up slightly to 7.5% in second quarter. Growth in the retail market during the review period has been undermined by the weakening sentiment though the situation did not seem to deteriorate further and there is hope of bottoming out. The impact on demand was especially obvious on luxury retail sales, from fashion garments to watches. The retail sector grew by 12.0% in the first quarter, compared with 12.4% the same period in 2013. In the second quarter, growth accelerated at about the same pace as the economy, with retail sales showing sequential improvement towards the end of the first half. May and June logged growth of 12.5% and 12.4%, respectively, in comparison to 11.8% for the first two months of the year. Overall, the retail sector in China grew 12.1% in the first half of 2014 and showed signs of stabilization.

In Hong Kong, economic growth remained moderate throughout the review period which reflected the slow economic improvement in the developed markets that affected export growth as well as the slowing local consumption. The GDP rose 2.5% year-on-year during the first three months compared with 2.9% for the same period in the previous year. The local retail market also experienced a slowdown which was driven by both weaker spend by Chinese tourists and disappointing local demand. In April and May, retail sales plunged respectively 9.9% and 4.1% year-on-year, with the total sales for the first five months of the year recording a negative growth of 0.2%. The fall in sales was especially pronounced in the sales of luxury products, including jewelleries.

PERFORMANCE REVIEW BY STORE

Hong Kong Operations

Despite the generally weak market sentiment, the Group's Sogo Causeway Bay store (**"SOGO CWB"**) still managed to deliver healthy growth during the first six months of the year. It brought a total of HK$4.6 billion in sales revenue to Lifestyle International, a 5% rise over the same period last year. As with previous years, the store contributed the most to Group's revenue during the review period, accounting for 69%.

SOGO CWB, the famous shopping mecca in Hong Kong, defied the slowdown trend in the retail market, as its huge selection of high quality products and customer services continued to appeal to a vast number of shoppers, local and tourists alike. During the review period, the store's business was not only more resilient compared to certain specific categories of merchandizes but it also outperformed the whole retail market as well as the department store sector. Growth was also reported in other aspects, including the average daily traffic, which was up 1% year-on-year, the stay-and-buy ratio, up 0.3 percentage point, and the ticket size, up 2.7%. During the "Thankful Week" in May, the biannual promotion event, SOGO CWB set yet another new record with daily sales revenue exceeding HK$100 million on the first day of the week-long event. Total sales intake for the event recorded a growth of 19% over the same event last year. To reinforce SOGO CWB's status as the most sought-after shopping destination and to optimise customers' shopping experience, relentless efforts are being made to carry out renovations and the store's collection of brands and merchandizes, including the brand-new Sogo beauty section recently opened on the basement 1 floor on 19 July 2014.

Sogo Tsim Sha Tsui store (**"SOGO TST"**), which ceased business in February 2014 due to early termination of the lease on the premises, is expected to reopen in another prime location in the heart of Tsim Sha Tsui in the fourth quarter of 2014. Situated on one of the most vibrant streets in Tsim Sha Tsui, the new store is a transportation hub easily accessible by subway and by foot. With a GFA of approximately 13,000 sq. m., the new SOGO TST will be positioned as a boutique-type department store, which sets it apart from the previous SOGO TST which was in the form of a mini department store. The store's reopening is set to further strengthen the brand equity of SOGO and solidify the presence of the Group's retail operations in Hong Kong.

Operations in Mainland China

The performance of the Group's operations in mainland China during the review period was largely a reflection of the sluggish sentiment of the local retail market. Nevertheless, the average rate of slowdown experienced by the Group's more established mainland operations was moderate, thanks to the Group's longstanding inner strength and the management's substantial experience in piloting retail operations through challenging times with the help of sound business strategy and ingenious marketing campaigns.

Shanghai Jiuguang reported RMB924.6 million in sales revenue in the first half of the year, a 5.6% drop from the same period last year. The sales decline was attributable in part to the market condition, but was also partly a result of the Group's effort to realign and refine the store's brand portfolio. As it would take time to introduce the new brands for replacing the area left vacant by the departure of certain brands during 2013, the impact on revenue was believed to be temporary and revenue is expected to pick up in the second half of this year. During the period under review, the store remained popular with total traffic footfall ticked up 2%, average ticket size up 1% while stay-and-buy ratio experienced slight downward pressure as a result of weak sentiment.

After several years of stellar growth, Suzhou Jiuguang has settled on a steady expansion track since it has secured a solid market position as an established, sought-after shopping destination in Suzhou. Its contribution to the Group's revenue is also consistent and meaningful. During the period, the store logged a total revenue of RMB399.4 million, a mere 0.3% year-on-year growth. The lower than expected growth could be explained by the generally weak sentiment during the review period. Nonetheless, business of the store remained healthy and thriving, as evidenced by the average daily traffic footfall, which rose to 20,900 from 19,700 last year, with the average ticket improved 6.8% to RMB362 while the stay-and-buy ratio saw normalizing to 40.2% from 44.7% a year earlier.

Throughout the period under review, the Group’s Dalian Jiuguang saw a 17.6% negative growth, along with a 7.7% fall in the average daily traffic footfall. In response to the deteriorating market condition, the Group is working to realign and sharpen up its product range and tenant mix to ramp up the store traffic and keep up the appeal of the store. The effect of the measures is expected to emerge when the market improves.

Shenyang Jiuguang got off to a steady start when it was soft-opened in October last year. The slowdown of the local market means the young establishment, which is the Group's fourth Jiuguang store in mainland China, may need more time to develop into a profitable operation and help fulfil the Group's plan to build a strong foothold in the increasingly affluent region of Northeast China. Yet so far Shenyang Jiuguang's performance has been steady, indicating its growth potential in the longer run. During the period, the Group started to make adjustments to the product and brand mix for both the food and non-food departments of the store, so as to offer a wider array of local and imported products to customers.

The market condition in Hebei Province was no more favourable than other cities in China but business results in the first half of 2014 delivered by Beiren Group, an established Shijiazhuang-based retailer in which the Group has strategic investment, was decent. For the first six months of the year, the aggregate sales revenue was up 4.3% from the same period last year while the profit margin was slightly under pressure due to surge in marketing and promotion costs. On balance, Lifestyle International saw its profit share from this investment, amounting to HK$143 million, down from HK$155 million a year earlier. Beiren Group currently operates 28 supermarkets and 15 department stores and shopping malls, most of which are located in Shijiazhuang city.

The Group's first standalone “Freshmart” store, housed within the L’Avenue Shanghai in the Changning District of Shanghai and launched in July 2013, delivered satisfactory results during the review period. Sales revenue for the first six months of the year saw a 9.5% sequential growth from the first six-month operation during July to December 2013.

LIFESTYLE PROPERTIES

Lifestyle Properties Development Limited (**“Lifestyle Properties”**) recorded a loss of HK$5.7 million attributable to owners for the six months ended 30 June 2014. Lifestyle Properties did not record any turnover during the period and the loss was largely a result of insufficient recurring income (mainly interest income and project management fee) to cover its operating expenses (mainly staff costs) during the period. As at 30 June 2014, Lifestyle Properties had investment properties and cash and bank balances amounting to HK$700.7 million and HK$605.4 million respectively. As no new site or property projects have yet been identified for investment or development purposes, Lifestyle Properties will continue to deploy most of its financial resources to the Yifu Land project, the only property development project of Lifestyle Properties, which is located in Shenyang. Based on the current progress, possibility of commencing construction work for the Yifu Land project in 2014 is slim and more likely that the work will start in the second quarter of 2015.

EXPANSION IN MAINLAND CHINA

At present, the Group has in the pipeline the Zhabei retail and commercial complex in Shanghai, which construction work has started since late 2013 and is progressing well. Sitting on a prime location, the retail and commercial complex will house the Group's second Shanghai Jiuguang store and also provide space for other retailing and commercial use.

OUTLOOK AND PLAN

Looking ahead, the management takes a cautious view for the second half of 2014 and believes the general economic conditions and retail environment would continue to remain challenging. Barring no unexpected event, dramatic improvement of market conditions is unlikely, but nor is drastic deterioration.

That said, the Chinese economy is likely to have bottomed out in the second quarter. China, being the major economic powerhouse of Asia, is very much part of the reform wave of emerging markets, as exemplified by its effort to liberalise the capital market and deepen the economic reform. All this is expected to ramp up economic activity and drive up domestic demand. The continuous urbanisation and growth of mainland China’s middle and upper classes will also work in the favour of reputable retail operators that cater to mid-to-high end customers. Lifestyle International is obviously one of such operators. And with its track record of outstanding business performance, the Group expects to be able to capitalise on such a consumption trend in the medium to long term.

While remaining open to new strategic investment opportunities, the Group will focus on reinforcing its business strength and leading market position, with a view to generating greater returns for our shareholders. In practice, new sales and marketing plans will be drawn up with the aim of maximising business performance of its operations in Shanghai, Suzhou, Shenyang and Dalian. Ingenious and innovative promotion measures will be introduced to solidify customer loyalty and boost store traffic. The product and brand mix will be further improved as part of the ongoing exercise aimed at catering to the ever-changing demand of consumers today. The management will also closely monitor economic and retail conditions in different markets and devise appropriate strategy that befits the specific retail environment.

In Hong Kong, the Group's home turf, the management expects the slowdown of the retail market in the coming six months to continue due to weak tourist spending and local demand. However, the Group’s SOGO CWB is expected to deliver stable sales growth. Major renovation and revamp programmes have been carried out at the store since last year and the work will continue throughout the second half of the year. These programmes have been planned and monitored with attention to detail so that impact on the traffic footfall has been kept to minimum. The revamp programme for the entire store this time aims to further strengthen SOGO’s image as a leading department store and to provide our customers better shopping environment and experiences. The reopening of SOGO TST, scheduled for the fourth quarter this year, is set to offer a wealth of quality brands that reflect the latest lifestyle trends which will attract a new group of customers, both local and tourists.

EMPLOYEES

As at 30 June 2014, the Group employed a total of approximately 2,500 employees, 1,800 of them are based in mainland China. Staff costs (excluding directors’ emoluments) amounted to approximately HK$199.8 million (2013: HK$196.2 million) for the six months ended 30 June 2014. 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. Under the share options scheme of the Company, options may be granted to Directors and employees of the Group to subscribe for shares in the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2014, the Company repurchased a total of 23,266,000 ordinary shares on the Stock Exchange at an aggregate consideration of approximately HK$352 million (excluding expenses) for enhancing its per share net asset value and earnings. All the repurchased shares were subsequently cancelled. Details of the repurchase of shares are summarized as follows:

Month of the repurchase	Total number of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
February 2014	1,271,500	15.54	15.24	19,462,450
March 2014	11,258,500	15.48	14.48	168,438,110
April 2014	5,216,500	16.06	14.94	81,206,700
May 2014	3,278,500	15.26	14.66	49,133,370
June 2014	2,241,000	15.12	14.78	33,466,520
	23,266,000			351,707,150

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the six months ended 30 June 2014, except the followings:

(i) Code provision A.6.7 requires independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Non-executive Directors of the Company Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Ms. Lau Yuk Wai, Amy and Independent Non-executive Director of the Company Mr. Cheung Yuet Man, Raymond, who retired after the conclusion of the annual general meeting of the Company held on 14 April 2014 (the **"AGM"**), were unable to attend the AGM owing to other engagements at the relevant time.

(ii) Code provision E.1.2 requires that chairman of the Board should attend the Company's annual general meeting. Due to other engagement, Dato' Dr. Cheng Yu Tung, the Chairman of the Board was unable to attend the AGM of the Company.

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 and customers for their support to the Group.

On behalf of the Board
Lifestyle International Holdings Limited
Lau Luen Hung, Thomas
Executive Director and Chief Executive Officer

Hong Kong, 28 July 2014

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lau Luen Hung, Thomas and Mr. Doo Wai Hoi, William; three non-executive Directors, namely Dato' Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry and Ms. Lau Yuk Wai, Amy; and four independent non-executive Directors, namely, Mr. Lam Siu Lun, Simon, The Hon. Shek Lai Him, Abraham and Mr. Hui Chiu Chung, Stephen and Mr. Ip Yuk Keung.