LIFESTYLE CHINA GROUP LIMITED
利福中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

HIGHLIGHTS

- Turnover amounted to RMB608.2 million, an increase of 10.7 %
- Profit attributable to owners of the Company increased 29.2%* to RMB171.8 million
- Earnings per share amounted to RMB0.107, an increase of 29.2%
- No interim dividend has been declared by the Board

**The profit in prior interim period was after deducting a one-off expense of approximately RMB20.5 million associating with the spin-off and separate listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. Profit attributable to owners of the Company would have been increased by 12.0% rather than 29.2% if this one-off expense were excluded.*

INTERIM RESULTS

The board of directors ("Board") of Lifestyle China Group Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2017, together with comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited and restated)
Turnover	*3*	**608,199**	549,659
Cost of sales	*3*	**(178,937)**	(152,023)
Gross profit		**429,262**	397,636
Other income, gains and losses		**33,333**	47,445
Selling and distribution costs		**(279,766)**	(273,259)
Administrative expenses		**(51,768)**	(50,147)
Investment income	*4*	**24,082**	24,018
Share of profit of a joint venture		**18,854**	16,361
Share of profits of associates		**200,018**	169,560
Listing expenses		**-**	(20,516)
Finance costs	*5*	**(3,046)**	(6,876)
Profit before taxation		**370,969**	304,222
Taxation	*6*	**(70,354)**	(59,489)
Profit for the period	*7*	**300,615**	244,733
Other comprehensive expense			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(605)**	(10,307)
Other comprehensive expense for the period		**(605)**	(10,307)
Total comprehensive income for the period		**300,010**	234,426
Profit for the period attributable to:			
Owners of the Company		**171,828**	132,954
Non-controlling interests		**128,787**	111,779
		300,615	244,733
Total comprehensive income attributable to:			
Owners of the Company		**171,223**	122,647
Non-controlling interests		**128,787**	111,779
		300,010	234,426
Earnings per share:			
Basic	*9*	**RMB0.107**	RMB0.083

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	NOTES	**30 June 2017** *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited and restated)
Non-current assets			
Property, plant and equipment		**3,579,319**	3,493,750
Prepaid lease payments		**2,323,627**	2,356,515
Interests in associates		**3,089,424**	2,889,406
Interest in a joint venture		**409,087**	390,233
Properties under development		**848,060**	783,126
Deferred tax assets		**391**	408
		10,249,908	9,913,438
Current assets			
Inventories		**34,114**	35,565
Prepaid lease payments		**65,775**	65,775
Financial assets at fair value through profit or loss		**109,639**	75,980
Trade and other receivables	*10*	**140,118**	142,688
Dividend due from an associate		**90,753**	90,753
Amount due from a joint venture		**30,554**	30,026
Bank balances and cash		**1,758,952**	1,990,170
		2,229,905	2,430,957
Current liabilities			
Trade and other payables	*11*	**784,305**	991,064
Amount due to a joint venture		**12,406**	48,475
Tax payable		**29,491**	53,229
Bank borrowings – due within one year		**53,323**	141,646
		879,525	1,234,414
Net current assets		**1,350,380**	1,196,543
Total assets less current liabilities		**11,600,288**	11,109,981

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE 2017

	30 June 2017 *RMB'000* **(Unaudited)**	31 December 2016 *RMB'000* (Audited and restated)
Non-current liabilities		
Bank borrowings – due after one year	**1,122,490**	943,490
Deferred tax liabilities	**32,797**	21,500
Amount due to a non-controlling shareholder of subsidiaries	**89,690**	89,690
	1,244,977	1,054,680
	10,355,311	10,055,301
Capital and reserves		
Share capital	**6,884**	6,884
Reserves	**8,965,731**	8,794,508
Equity attributable to owners of the Company	**8,972,615**	8,801,392
Non-controlling interests	**1,382,696**	1,253,909
	10,355,311	10,055,301

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 for the listing of the Company's shares on the Stock Exchange and pursuant to the reorganisation (the “Reorganisation”) as set out in the section headed "Reorganisation" to the Company's listing document dated 30 June 2016 (the "Listing Document"), the Company since 23 June 2016 has become the holding company of the companies now comprising the Group. The Company's shares were listed on the Stock Exchange on 15 July 2016 ("Listing"). The companies now comprising the Group were entities under Lifestyle International Holdings Limited ("Lifestyle International") and under the common ownership and control of the same shareholders of Lifestyle International before and after the Reorganisation. As a result, the Reorganisation is regarded as a reorganisation under common control in preparation of the condensed consolidated financial statements for the six months ended 30 June 2016.

The functional currency of the Company is Renminbi ("RMB"). The presentation currency of the consolidated financial statements in prior financial years was Hong Kong Dollar ("HK$"). Starting from 1 January 2017, the Group has changed its presentation currency for the preparation of its consolidated financial statements from HK$ to RMB. As the Group’s revenue and business activities are primarily denominated in RMB and conducted in Mainland China and in view of the recent fluctuation of the exchange rate of RMB against HK$, the directors of the Company consider that the change in presentation currency from HK$ to RMB would help eliminate fluctuation on the reported results caused by exchange rate fluctuation which otherwise does not have any direct relevance to the Group’s operating performance. This will enable shareholders of the Company to better understand the underlying financial performance of the Group. Therefore, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency in presenting the operating results and financial positions of the Group.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for the financial assets at fair value through profit or loss ("FVTPL") at the end of each reporting period.

Except for the change in presentation currency of the Group as described above and the application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle relating to the amendments of HKFRS 12

The application of the above amendments to HKFRSs 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.

HKAS 7 amendments will result in more disclosures relating to the reconciliation of liabilities arising from financing activity in the Group's annual consolidated financial statements which include: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

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	
	2017	2016
	RMB'000	RMB'000
Sales of goods - direct sales	**220,023**	186,833
Income from concessionaire sales	**329,393**	304,696
Service income	**17,404**	17,510
Rental income	**41,379**	40,620
	608,199	549,659

3. TURNOVER AND SEGMENT INFORMATION (Continued)

The cost of sales are analysed as follows:

Cost of goods sold - direct sales	**149,843**	123,396
Other cost of sales	**29,094**	28,627
	178,937	152,023

The Group's operating activities are attributable to a single operating segment focusing on operation of department stores, retailing and related business. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform with HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. executive director of the Company). The CODM regularly reviews revenue analysis by location. 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 of the Group as a whole to make decisions about resource allocation. 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. INVESTMENT INCOME

	Six months ended 30 June	
	2017	2016
	RMB$'000	*RMB'000*
Interest income on bank deposits	**19,710**	22,722
Change in fair value of financial assets at FVTPL	**1,945**	-
Dividend income from financial assets at FVTPL	**304**	-
Other interest and investment income	**2,123**	1,296
	24,082	24,018

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB$'000*
Interests on:		
Bank borrowings	**26,850**	24,442
Amounts due to fellow subsidiaries	**-**	66,457
	26,850	90,899
Less: Amount capitalised as construction in progress and properties under development	**(23,804)**	(84,023)
	3,046	6,876

6. TAXATION

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Current tax:		
Hong Kong Profits Tax	**1,037**	1,099
PRC Enterprise Income Tax	**58,016**	50,256
	59,053	51,355
Deferred tax	**11,301**	8,134
	70,354	59,489

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 June 2016: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30 June 2016: 25%) on the estimated assessable profit for the period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Profit for the period has been arrived at after Charging (crediting):		
Depreciation	**57,792**	59,442
Release of prepaid lease payments	**32,888**	32,477
Less: Amount capitalised as construction in progress	**(24,291)**	(23,881)
	8,597	8,596

8. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 June 2017 (2016: nil).

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**171,828**	132,954

	30 June 2017	30 June 2016
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	**1,602,587**	1,602,587

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares during both periods.

Note: The weighted average number of ordinary shares for 2016 for the purpose of basic earnings per share has been taken into account the share issued pursuant to the Reorganisation and the capitalisation issue of 1,602,586,440 ordinary shares of HK$0.005 each of the Company at par value on 11 July 2016 as if it had been effective on 1 January 2016.

10. TRADE AND OTHER RECEIVABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Trade receivables	**21,003**	45,590
Prepayments	**2,169**	2,853
Deposit paid	**1,785**	1,872
Value added tax ("VAT") receivable	**61,704**	60,220
Others	**53,457**	32,153
	140,118	142,688

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments. Its major trade receivables arising from credit card sales are normally settled in one to two business days in arrears and the rental income receivables are normally settled 30 days in arrears. The following is an aged analysis of trade receivables net of allowance for doubtful debts, if any, presented based on the invoice date, which approximates the respective revenue recognition dates:

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
0 – 30 days	**18,096**	44,009
31 – 60 days	**1,723**	802
61 – 90 days	**418**	138
Over 90 days	**766**	641
	21,003	45,590

11. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
	RMB'000	*RMB'000*
Trade payables	**36,729**	55,286
Construction payables	**74,372**	108,500
Concessionaire sales payables	**400,379**	490,530
Deferred income	**119,925**	121,461
Rental deposits received	**46,611**	48,464
Accrued expenses	**28,341**	47,647
VAT payable	**3,555**	37,806
Interest payables	**1,381**	1,332
Others	**73,012**	80,038
	784,305	991,064

11. 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 2017 *RMB'000*	31 December 2016 *RMB'000*
0 – 30 days	**28,383**	44,876
31 – 60 days	**1,448**	2,938
61 – 90 days	**1,041**	2,003
Over 90 days	**5,857**	5,469
	36,729	55,286

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

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Market Overview

China's gross domestic product regained momentum with a 6.9% growth in the first half of 2017, up from the 6.7% growth for the first half and the whole of the year 2016 as the national policy of reforming the supply side and stimulating consumption seemed to yield some results. Consumer confidence also showed signs of recovery. The country's retail consumption growth edged up slightly to 10.4% year on year in the first six months of 2017 from the growth of 10.3% for the same period of 2016. Department store sales recorded a year-on-year growth of 5.8% in the first half of 2017 while supermarkets recorded a year-on-year growth of 6.3% in retail sales.

Financial Review

Turnover and Sales Proceeds

For the first six months ended 30 June 2017 (the "Period"), turnover of the Group increased by 10.7% year on year to RMB608.2 million from RMB549.7 million in the same period of the previous year as China's retail sector and department stores showed signs of recovery. The growth in the Group's turnover was mainly attributable to the low-teen increases in sales at its two major department stores, Shanghai Jiuguang and Suzhou Jiuguang. Specifically, the Group recorded strong sales growth of cosmetics and accessories items. Overall, the growth in sales was driven by the enhancement of the product mix and marketing and promotion strategies. Net sales proceeds increased by 10.2% year on year to RMB1,640.9 million.

Gross Profit and Concessionaire Rate

Gross profit increased 8.0% year on year to RMB429.3 million during the current period and the gross profit margin as a percentage of net sales proceeds remained stable at approximately 26.2%, comparing to 26.7% in the same period of 2016. Gross profit margin as a percentage of turnover decreased slightly to 70.6% from 72.3% as the increase in direct sales was higher than increase in concessionaire sales. Average concessionaire rate remained stable at around 22.3% on the back of the Group's sound and effective business strategies and the enhancement of its stores' brand and product assortments, which in turn bring more traffic footfall.

Net Profit Attributable to Shareholders

Net profit attributable to owners of the Company for the Period increased 29.2% year on year to RMB171.8 million from RMB133.0 million for the same period of the previous year. The increase in profit was mainly attributable to increase in the Group's turnover, increase in share of profit of the Beiren Group and absence during the Period of a one-off expense of RMB20.5 million which was incurred in relation to the spin-off and listing on the Stock Exchange last year of the Company's shares. The profit increase however was partly offset by an exchange loss recorded this period on the Group's bank balances denominated in US$ and HK$, comparing to an exchange gain recorded in the first half of 2016. If the one-off listing expense last period were excluded, profit of the Group would have increased by 12.0% from same period last year and that the Group's net profit margin as a percentage of turnover would have improved from 27.9% for the first half of 2016 to 28.3% for the first half of 2017.

Other Income, Gains and Losses

Other income, gains and losses mainly comprise management fee income, credit card recharges and other miscellaneous income received from the counters/tenants, other sundry incomes/expenses and exchange gain/loss. The decrease was mainly attributable to an exchange loss of RMB17.6 million being recorded as the Group's bank balances denominated in US$ and HK$ continued to depreciate against the Renminbi during the Period.

Investment Income

Investment income comprises mainly interest income from the Group's bank deposits.

Selling and Distribution Costs
Aggregate selling and distribution costs of the Group edged up by 2.4% year on year to RMB279.8 million, mainly due to the Group's move to step up its marketing and promotional efforts. The Group's aggregate selling and distribution expenses as a percentage of total sales proceeds improved slightly to 17.0% from 18.4% in the same period of 2016.

Administrative Expenses
The Group's general administrative expenses increased by 3.2% year on year to approximately RMB51.8 million for the period under review from RMB50.1 million for the same period of 2016. The increase was mainly attributable to an increase of staff cost and directors' remuneration, but was mostly offset by a decrease in consultancy fee as a subsidiary of the Lifestyle International has ceased charging the Group consultancy fee since the separate listing of the Company's shares on the Hong Kong Stock Exchange on 15 July 2016.

Staff Costs
Staff costs (excluding directors' emoluments) increased by 8.2% year on year to approximately RMB84.2 million during the period under review and the increase was largely in line with the market trend. The total number of full-time staff of the Group as at 30 June 2017 was 1,368.

Finance Costs
The Group's finance costs consisted mainly of interests incurred on bank borrowings. The aggregate amount of interests incurred, before capitalisation, was approximately RMB26.9 million (2016: RMB90.9 million), down 70.5% from the same period in 2016. The substantial decrease comparing to the previous period was mainly due to capitalisation of the borrowings from fellow subsidiaries as part of the re-organisation leading to the spin-off and separate listing of the Company in July 2016. As such, there has been no borrowing from fellow subsidiaries since then and hence a significant drop in interest expenses. The finance costs charged to the profit and loss decreased to approximately RMB3.0 million from RMB6.9 million in the last period as the Group repaid during the Period certain bank loans which corresponding interests were not qualified for capitalisation purpose.

Liquidity and Financial Resources
The Group's EBITDA before share of results of associates and a joint venture and other non-recurring items for the Period increased from RMB186.8 million in 2016 to approximately RMB 215.0 million, mainly due to an increase in business turnover.

As at 30 June 2017, the Group's net cash (defined as cash and bank balances less total bank borrowings, amount due to a non-controlling shareholder of subsidiaries and amount due to a joint venture) decreased from approximately RMB766.9 million as at 31 December 2016 to RMB481.0 million, due primarily to payment of capital expenditure in respect of the Group's commercial complex development project in Shanghai, the PRC.

The Group's bank balances and cash amounted to about RMB1,759.0 million (31 December 2016: RMB1,990.2 million) as at 30 June 2017, of which RMB379.4 million, denominated in HK$, was kept in Hong Kong, with the balance being kept in mainland China of which approximately 11.4% was denominated in US$ and the remaining 88.6% was in Renminbi.

As at 30 June 2017, the Group's secured bank loans amounted to approximately RMB1,175.8 million (31 December 2016: RMB1,085.1 million), bearing interest calculated with reference to lending rates of the People's Bank of China. As at 30 June 2017, the Group had aggregate unutilised banking facilities in the amount equivalent to approximately RMB1,322.5 million (31 December 2016: RMB1,501.5million). The Group's debt to equity ratio (defined as bank borrowings divided by equity attributable to the owners of the Company) was 13.1% (31 December 2016:12.3%) as at the period end.

Foreign Exchange Management
The functional currency of the Company and its subsidiaries operating in the PRC is Renminbi, in which most of the Group's transactions are denominated. As described under the "Liquidity and Financial Resources" section above, certain portion of the Group's bank balances are denominated in foreign currencies (Hong Kong dollars and United States dollars) other than Renminbi. Given the fact that majority of the Group's revenue and expenses as well as borrowings and capital expenditures are denominated in Renminbi, the Group does not consider a comprehensive foreign currency hedging policy is required as movement of the RMB is likely to be within range against the US$ from the current level. Management will however monitor the Group's foreign currency exposure and will consider taking appropriate measures to mitigate any potential significant foreign currency risks should the need arises.

Pledge of Assets
As at 30 June 2017, certain of the Group's property, plant and equipment, properties under development and prepaid lease payment in the PRC with aggregate carrying value of approximately RMB3,570.5 million (31 December 2016: RMB 4,664.9 million) have been pledged to banks to secure loan facilities amounting to approximately RMB2,498.3 million (31 December 2016: RMB2,586.6 million).

Contingent Liabilities
The Group did not have any material contingent liabilities as at 30 June 2017.

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

Review of Operations

During the first half of 2017, China's retail sales including luxury goods started to show signs of recovery, especially in top-tier cities such as Shanghai where the Group has operations. Cities in the north-east of China or lower-tier cities may not experience the same degree of recovery and operating conditions continue to be difficult.

Shanghai Jiuguang
Following completion of the major face-lift work to the store, Shanghai Jiuguang was able to harness the tailwind amid the improving consumer market and has recorded a year-on-year growth of 12.5% in sales revenue during the Period. Sales of cosmetics and accessories, in particular, were strong and saw a year-on-year growth of 13.9%. The store's enhanced layout and product assortments has attracted higher traffic footfall and pushed the average daily traffic up by 11.5% year on year to around 50,100. Average ticket size has increased by 6.4% year on year to RMB405 while the stay-buy ratio has decreased by three percentage points to 40.0%. The average concessionaire rate collected by the store remained stable at around 23.6% (2016: 23.9%).

Suzhou Jiuguang
Located in Suzhou, a second-tier city with a burgeoning middle class, the Group's Suzhou Jiuguang, similar to its counterpart in Shanghai, has also enjoyed a recovery in the consumer market during the Period, and recorded a year-on-year growth of 12.8% in sales revenue. Again, sales of cosmetics and accessories were notably stronger and surged by 17.5% year on year. The store's average daily traffic footfall rose by 7.2% year on year to around 22,500 and the average ticket size increased by 3.7% to RMB392. Meanwhile, the stay-buy ratio saw an increase of 1.6 percentage points to 40.2% whereas the average concessionaire rate collected by the store was 19.2%, comparing to 19.6% in the same period of 2016.

Dalian Jiuguang
Dalian Jiuguang had long been facing a sluggish consumer market in the north-east of China and in view of the deteriorating operating conditions, management decided in 2016 to gradually scale down the department store operation and, since August 2016, the store has ceased to renew lease agreements with the brands upon their expiry and the store had ceased operation since the end of 2016. While the Group is still collecting from a few retailers operating on the upper floors of the property on leasing arrangements during the Period, the Group is considering changing the usage of the property, with an aim to increasing the economic benefit and efficiency of the property.

Standalone Operation of *Freshmart*
Located in Changning, Shanghai, the Group's standalone *Freshmart* operation was still being affected by the increasing competition in the neighboring area during the period under review but has managed to reduce the year-on-year sales decline to only 1.3%.

Interests in Associates
Beiren Group, a well-established Shijiazhuang-based retailer in which the Group has a strategic equity interest, saw its profit attributable to the Group rising by 17.4% year on year to RMB199.4 million during the period under review. The operating results of the Beiren Group is critical to the performance of the Group as the net share of profit from this investment accounted for 69.7% of the Group's profit attributable to owners of the Company for the period under review.

Beiren Group's sales revenue saw an increase of 4.2% year on year to RMB10.1 billion for the Period. During the period under review, Beiren Group's department store business recorded a year-on-year sales growth of 6.3% and its supermarket business recorded a year-on-year growth of 3.0% in revenue, while its automotive trading business recorded a year-on-year decline of 6.6%. Since the end of 2016, Beiren Group's first outlet has commenced operation and this 北國奧特萊斯 ("Beiguo Outlets") recorded a start-up loss of RMB18.6m during the Period which was mainly caused by high depreciation charge, marketing and sales and administration costs. Overall, Beiren Group's gross profit margin and net profit margin for the period under review remained relatively stable.

Restaurant Business
Aggregate sales revenue of the Group's restaurant business during the period under review remained stable. The combined sales revenues of the Wa San Mai restaurants at the Shanghai Jiuguang and Suzhou Jiuguang dropped by 10.9% year on year while sales revenue of the restaurant in Hong Kong increased by 3.3% year on year. Profit from the restaurant business decreased by 5.8% year on year to RMB4.2 million for the period under review.

Business Expansion
Construction works of the Group's retail and commercial complex in Daning, Jingan District, Shanghai, was making good progress and is scheduled to be completed in 2018. The project comprises a large retail complex, which will house the Group's second Jiuguang store in Shanghai, and office buildings. It is expected that this development, when commence operation, will boost the Group's market presence and further enhance its brand equity in Shanghai.

Outlook and Plan

China's economic growth in the first half of the year bodes well for the prospect of the retail sector in the second half of the year. The Group is ready to capitalize on the reviving consumer sentiment as the Shanghai store has undergone a refurbishment program, with enhanced high-quality brand and product assortments, for satisfying the shopping experience of consumers. The Group will build on the success of its Shanghai Jiuguang and Suzhou Jiuguang and will further enhance its service standards. This is particularly important as it will enable it to accentuate the brick-and-mortar retail venue's advantage over e-commerce operators for it offers immediate experience of both a lively shopping environment and a wide and varied selection of goods. The Group will also continue its effort to better meet the needs and taste of the local customers as part of its business strategy. All these measures will help the Group to build up a loyal customer base.

Looking ahead, completion of the Group's retail and commercial complex in Daning, Jingan District, Shanghai will add impetus to the Group's business development in China. With all these initiatives in place, the Group is set on extending its presence in China's growing retail market, especially in more vibrant cities such as Shanghai.

As part of its strategy to expand sensibly and sustain long-term profitable growth, the Group remains open to new investment opportunities and looks forward to maximizing values for shareholders in the long run.

INTERIM DIVIDEND

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

EMPLOYEES

As at 30 June 2017, the Group employed a total of 1,368 employees, with 1,301 stationed in mainland China and 67 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to RMB84.2 million (2016: RMB77.8 million) for the six months ended 30 June 2017. The Group ensures that the pay levels of its employees are competitive and in line with the 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 listed securities of the Company during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2017, except the following deviation:

The roles of the Chairman and Chief Executive Officer are not segregated but such arrangement facilitates the development and execution of the Group's business strategies and enhances efficiency and effectiveness of its operation.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2017 have been reviewed by the audit committee, and by the auditors 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

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

On behalf of the Board
Lifestyle China Group Limited
Lau Luen Hung, Thomas
Chairman

Hong Kong, 7 August 2017

As at the date of this announcement, the Board comprises Mr. Lau Luen Hung, Thomas as executive director; Ms. Chan Chor Ling, Amy as non-executive director; and Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai as independent non-executive directors.