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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- Revenue increased 15.6% to RMB1,299.7 million
- Profit attributable to owners of the Company decreased 32.6% to RMB143.4 million
- Earnings per share decreased 32.6% to RMB0.098
- No dividend was declared by the Board

FINAL RESULTS

The board of directors ("Board") of Lifestyle China Group Limited ("Company") is pleased to announce the audited consolidated results for the year ended 31 December 2021 of the Company and its subsidiaries (collectively, "Group"), together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	3	**1,299,736**	1,124,020
Cost of sales		**(509,374)**	(442,623)
Gross profit		**790,362**	681,397
Other income, gains and losses		**130,473**	103,296
Selling and distribution costs		**(523,725)**	(408,790)
Administrative expenses		**(238,269)**	(156,081)
Interest and investment income	5	**51,331**	54,825
Share of profit of a joint venture		**28,300**	24,211
Share of profits of associates		**237,251**	221,879
Finance costs	6	**(27,895)**	(25,350)
Profit before taxation		**447,828**	495,387
Taxation	7	**(123,253)**	(113,820)
Profit for the year	8	**324,575**	381,567
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**301**	(143)
Total comprehensive income for the year		**324,876**	381,424
Profit for the year attributable to:			
Owners of the Company		**143,393**	212,748
Non-controlling interests		**181,182**	168,819
		324,575	381,567
Total comprehensive income attributable to:			
Owners of the Company		**143,694**	212,605
Non-controlling interests		**181,182**	168,819
		324,876	381,424
Earnings per share for profit attributable to owners of the Company			
- Basic and diluted	10	**RMB0.098**	RMB0.145

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Notes	**2021** *RMB'000*	2020 *RMB'000*
Non-current assets			
Property, plant and equipment		**5,501,009**	5,049,886
Right-of-use assets		**2,404,868**	2,576,030
Investment property		**1,292,427**	-
Investments in associates		**3,095,104**	2,876,956
Investment in a joint venture		**372,045**	371,169
Deferred tax assets		**5,045**	3,356
Other receivables	*11*	**5,349**	1,534
		12,675,847	10,878,931
Current assets			
Inventories		**102,073**	69,490
Properties under development		-	1,346,322
Trade and other receivables	*11*	**285,389**	207,096
Amount due from associates		**110,865**	94,655
Financial assets at fair value through profit or loss		-	86,500
Cash and cash equivalents		**1,858,198**	1,906,907
		2,356,525	3,710,970
Current liabilities			
Trade and other payables	*12*	**1,461,974**	1,120,543
Amount due to a joint venture		**47,735**	33,227
Amount due to a non-controlling shareholder of subsidiaries		**26,142**	26,142
Tax payable		**26,902**	31,550
Bank borrowings – due within one year		**100,000**	60,000
Lease liabilities		**100,521**	101,245
Contract liabilities		**12,260**	9,093
		1,775,534	1,381,800

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 31 DECEMBER 2021

	2021	2020
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings – due after one year	**2,240,000**	2,340,000
Lease liabilities	**188,407**	305,182
Deferred tax liabilities	**48,085**	31,220
	2,476,492	2,676,402
	10,780,346	10,531,699
Capital and reserves		
Share capital	**6,291**	6,291
Reserves	**9,328,766**	9,185,072
Equity attributable to owners of the Company	**9,335,057**	9,191,363
Non-controlling interests	**1,445,289**	1,340,336
	10,780,346	10,531,699

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to customers, net of discounts and sales related taxes, income from concessionaire sales, service income and rental income during the year, and is analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Recognised at a point in time:		
Sales of goods - direct sales	**568,676**	502,890
Recognised over time:		
Income from concessionaire sales	**585,289**	515,384
Service income	**38,247**	34,063
Revenue from contracts with customers	**1,192,212**	1,052,337
Rental income	**107,524**	71,683
Total revenue	**1,299,736**	1,124,020

All the above revenue is derived in the People's Republic of China (the "PRC").

4. SEGMENT INFORMATION

The Group's operating activities are attributable to a single operating segment under HKFRS 8 "Operating Segments" focusing on operation of department stores, retailing and related business as well as property investment in the PRC. 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 chief executive of the Company). The CODM regularly reviews revenue analysis and the profit for the year of the Group as a whole to make decisions about resource allocation. Accordingly, no separate segment information other than entity-wide information is presented.

The Group's non-current assets are all located in the PRC. The Group has no customers that contributed over 10% of the total revenue of the Group for both years.

5. INTEREST AND INVESTMENT INCOME

	2021	2020
	RMB'000	*RMB'000*
Interest income on bank deposits	**50,709**	45,547
Interest income from a joint venture	**459**	575
Investment income from financial assets at fair value through profit or loss	**163**	6,175
Interest income from loan receivables	**-**	2,528
	51,331	54,825

6. FINANCE COSTS

	2021	2020
	RMB'000	*RMB'000*
Interest expenses on:		
- Bank borrowings	**105,873**	108,492
- Lease liabilities	**19,025**	25,350
	124,898	133,842
Less: Amounts capitalised in construction in progress and properties under development	**(97,003)**	(108,492)
	27,895	25,350

The capitalised borrowing costs represent the borrowing costs incurred on borrowings whose funds were specifically invested in the construction in progress and properties under development during the year. The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the interest rate applicable to the Group's specific borrowings during the year, i.e. 4.41% - 4.46% (2020: 4.40% - 4.46%).

7. TAXATION

	2021	2020
	RMB'000	*RMB'000*
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**107,440**	94,976
Withholding tax	**657**	716
	108,097	95,692
Under/(over) provision in prior years:		
PRC Enterprise Income Tax	**11**	(19)
Withholding tax	**(31)**	20
	(20)	1
Deferred tax charge	**15,176**	18,127
	123,253	113,820

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% for both years.

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
Directors' remuneration:		
Fees	**666**	714
Salary and allowances	**5,534**	4,832
Bonus	**10,633**	8,487
Retirement benefits scheme contributions	**-**	1
	16,833	14,034
Other staff costs, excluding retirement benefits scheme contributions	**183,265**	148,474
Retirement benefits scheme contributions, net of forfeited contributions for staff	**8,038**	7,125
	191,303	155,599
Total staff costs	**208,136**	169,633
Auditor's remuneration	**2,710**	3,486
Depreciation of property, plant and equipment	**132,629**	104,856
Depreciation of investment property	**5,128**	-
Depreciation of right-of-use assets	**125,499**	119,534
Reversal of loss allowance on expected credit losses for trade receivables	**(228)**	(345)
Expenses related to variable lease payments	**47,275**	30,483
Loss on disposal of property, plant and equipment	**706**	616
Gain on lease modification	**(16,953)**	(15,320)
Expenses relating to low-value leases	**606**	788
Expenses relating to short-term leases	**335**	294
Cost of inventories recognised as expense	**471,605**	410,504

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2021 (2020: nil).

10. EARNINGS PER SHARE

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**143,393**	212,748

	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares	**1,464,449**	1,464,449

The diluted earnings per share for the year ended 31 December 2021 equals to the basic earnings per share as there were no potential dilutive ordinary shares issued during the year (2020: Same).

11. TRADE AND OTHER RECEIVABLES

	2021 *RMB'000*	2020 *RMB'000*
Trade receivables	**64,272**	64,172
Lease receivables	**45,968**	7,234
	110,240	71,406
Less: Loss allowance on expected credit losses	**(495)**	(723)
	109,745	70,683
Prepayments	**226**	225
Deposits paid	**5,349**	1,534
Value added tax ("VAT") receivable	**144,929**	114,571
Others	**52,742**	43,870
	203,246	160,200
Less: Loss allowance on expected credit losses	**(22,253)**	(22,253)
	180,993	137,947
	290,738	208,630
Less: Non-current portion	**(5,349)**	(1,534)
	285,389	207,096

The Group's retail sales to customers are mainly made in cash, through debit card or third-party payment platform. Its major trade receivables arising from third-party payment platform sales are normally settled in one to two business days and lease receivables are normally settled 30 days in arrears. The following is an aged analysis of trade and lease receivables net of allowance for expected credit losses, if any, at the end of the reporting period presented based on invoice date:

	2021 *RMB'000*	2020 *RMB'000*
0 – 30 days	**108,232**	67,976
31 – 60 days	**1,133**	1,135
61 – 90 days	**99**	712
Over 90 days	**281**	860
	109,745	70,683

12. TRADE AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Trade payables	**61,244**	54,988
Construction payables	**429,831**	252,850
Concessionaire sales payables	**492,390**	492,595
Refundable prepaid card deposits	**137,215**	131,174
Rental deposits received	**180,747**	81,908
Accrued expenses	**101,741**	64,425
VAT payable	**9,415**	9,783
Interest payables	**3,147**	3,228
Others	**46,244**	29,592
	1,461,974	1,120,543

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

	2021	2020
	RMB'000	*RMB'000*
0 – 30 days	**52,572**	46,036
31 – 60 days	**4,955**	3,848
61 – 90 days	**328**	969
Over 90 days	**3,389**	4,135
	61,244	54,988

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

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As further detailed in note 17 to the Group's consolidated financial statements, the Group holds equity interests in certain associated companies herein referred to as "Beiren Group". For the year ended 31 December 2021, the Group recognised a share of profits of associates of RMB237.3 million and carried RMB3,095.1 million investments in associates on the consolidated statement of financial position as at 31 December 2021, of which RMB235.8 million of the share of profits of associates for the year and RMB3,089.9 million of the carrying value of investments in associates as at 31 December 2021 were attributable to the Beiren Group.

In 2019, the Group made a full expected credit loss allowance, net of deferred tax credit ("Full Impairment") against the entire overdue trade receivable balances due from three PRC companies ("Debtors") of the Beiren Group ("Trade Receivables"), for the purpose of recognising the Group's share of results of the Beiren Group.

Such Trade Receivables are guaranteed by the ultimate beneficial owner of the Debtors (the "Guarantor"). The impact of the Full Impairment on the Group's share of losses of associates, loss attributable to owners and loss attributable to non-controlling interests for the year ended 31 December 2019 amounted to RMB812.4 million, RMB487.4 million and RMB325.0 million respectively.

We have previously qualified our auditor's report on the Group's consolidated financial statements for the year ended 31 December 2020, due to a limitation of scope, as we were unable to obtain sufficient appropriate evidences on whether any adjustments were necessary to the carrying amount of the Trade Receivables of nil balance and the related deferred tax credit in respect of the Full Impairment, which had consequential impact on (i) the Group's share of profits of associates for the year ended 31 December 2020 and the carrying value of its investments in associates as at 31 December 2020; (ii) the Group's profit attributable to owners and profit attributable to non-controlling interests in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020; and (iii) the equity attributable to owners of the Company and the non-controlling interests on the Group's consolidated statement of financial position as at 31 December 2020.

During the year ended 31 December 2021 and up to the date of this report, there has been no additional information or development in relation to the recoverability of the Trade Receivables due from the Debtors. Accordingly, the Group's management considered the Full Impairment made in 2019 on the Trade Receivables of the Beiren Group brought forward is still appropriate as at 31 December 2021.

However, the Group's management was not able to provide us with adequate evidence with respect to the financial conditions of the Debtors and the Guarantor up to the date of this report, including the financial information of the Debtors to date, details of other assets (including nature, amounts, and claims or pledges against such assets, if any) of the Guarantor that could be pursued to settle the outstanding Trade Receivables due to the Beiren Group. We were therefore unable to obtain sufficient appropriate audit evidence we considered necessary to assess the recoverable amount of the Trade Receivables. Given the above mentioned scope limitations, there were no other satisfactory procedures that we could perform to determine whether any adjustments were necessary to the Trade Receivables of nil balance and the related tax credit, in respect of the Full Impairment as at 31 December 2021 which consequentially impacted (i) the Group's share of profits of associates for the year ended 31 December 2021 and the carrying value of its investments in associates as at that date; (ii) the Group's profit attributable to owners and profit attributable to non-controlling interests in the Group's consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021; and (iii) the Group's equity attributable to owners of the Company and the non-controlling interests on the consolidated statement of financial position as at 31 December 2021.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The global economy in 2021 generally saw a rebound from the bottom that was caused by the COVID-19 pandemic. However, economic situation remained complex and marred by uncertainty with the emergence of new COVID-19 variants and ongoing political tensions between the US and China that has set the stage for a challenging global economic environment. In China, notwithstanding the resurgence of COVID-19 infections in certain parts of the country in the second half of the year that cooled the economy with the gross domestic product (GDP) grew only 4.9% and 4.0% in the third and fourth quarters respectively, the strong rebound in economic growth in the first half of the year brought about by resumption of normal economic activities has resulted a 8.1% growth in the country's GDP to approximately RMB114.37 trillion for the year 2021.

China's GDP growth also led to a 12.5% growth in the country's total retail sales of consumer goods although the growth momentum started to slow from August onwards with the year-on-year growth rate dropped to a low of 1.7% in December. In the same month, the overall consumer price index ("CPI") edged down by 0.3% from November, bringing down the inflation rate for the whole year to a moderate increase of 0.9% from the preceding year.

Financial Review

Faced with a challenging market environment, the Group responded by adopting a series of multifaceted strategies which included optimizing its product mix, continuing to leverage its well-established brand equity and promoting the new retail business to give full play to the complementary advantages of online and offline retailing. Most noteworthy is the opening of the Group's Shanghai Jiuguang Center in Daning in late November which will not only provide additional revenue to the Group but also bring synergies to the Group's retail business with its already well-established Shanghai Jiuguang and Suzhou Jiuguang department stores.

Revenue and Sales Proceeds

For the year ended 31 December 2021, the Group's revenue increased 15.6% to reach RMB1,299.7 million, compared with the RMB1,124.0 million recorded in 2020 and surpassed the pre-pandemic level of RMB1,204.1 million recorded in 2019. The increase was primarily a result of the Group's effective marketing strategies which successfully drove sales at the two Jiuguang stores, particularly in the first half of 2021, as well as the contribution from the newly-opened Shanghai Jiuguang Center since late November. Sales performance at the two stores continued to see improvement following the addition of more mid-range and high-end products from internationally renowned brands during the year. The total sales proceeds of the Group grew by 17.3% year-on-year to RMB3,482.9 million in 2021, up from RMB2,968.2 million in 2020. If excluding the contribution of approximately RMB53.5 million from the newly-opened Shanghai Jiuguang Center, aggregate sales proceeds from the existing stores increased 15.5% to RMB3,429.4 million.

Gross Profit and Concessionaire Rate

The Group's gross profit amounted to RMB790.4 million for the year, an increase of 16.0% from RMB681.4 million in the previous year. The gross profit margin as a percentage of total sales proceeds was approximately 22.7%, compared with 23.0% in 2020. Meanwhile, the Group's gross profit margin as a percentage of revenue remained stable at 60.8% as compared to 60.6% last year. The average concessionaire rate dropped slightly to approximately 20.6% from last year's 21.0%.

Net Profit Attributable to Shareholders

Net profit attributable to shareholders of the Company for the year ended 31 December 2021 amounted to RMB143.4 million, as compared to RMB212.7 million in 2020. The decrease in profit was mainly due to increase in selling and distribution costs and administrative expenses, which was a result of the inclusion of the normal operating and pre-opening fitting and decoration expenses, as well as an one-off opening expenses of RMB34.8 million of the Shanghai Jiuguang Center.

Selling and Distribution Costs

The Group's aggregate selling and distribution costs grew 28.1% to RMB523.7 million in 2021 from RMB408.8 million in 2020. The increase was mainly attributable to (i) increase in operating expenses of RMB33.2 million amid sales growth; (ii) increase in depreciation and amortization charges of RMB21.1 million, mainly from the Shanghai Jiuguang Center; and (iii) an approximately RMB36.6 million of counter fitting and decoration costs for the brand partners as incentives for them to operate in the Group's Shanghai Jiuguang Center. The Group's aggregate selling and distribution expenses as a percentage of total sales proceeds increased to approximately 15.0% for the year, compared with 13.8% in 2020 as initial sales from the newly-opened Shanghai Jiuguang Center was not in proportion to its operating expenses.

Administrative Expenses

The Group's general administrative expenses surged 52.7% to approximately RMB238.3 million from RMB156.1 million recorded in 2020. The increase was mainly attributable to (i) additional depreciation charge of approximately RMB11.8 million and a one-off store grand-opening expense of RMB34.8m with respect to the Shanghai Jiuguang Center; and (ii) increase in staff costs of approximately RMB32.0 million.

Staff Costs

Staff costs (excluding directors' emoluments) increased by 22.9% to approximately RMB191.3 million from RMB155.6 million in 2020. The increase was mainly attributable to (i) additional staff costs incurred for the operation of the Shanghai Jiuguang Center; (ii) increase in social security contributions in the absence of relief measures implemented by the government last year; and (iii) payment of a one-off compensation of RMB6.2 million for the dismissed staff after outsourcing the Freshmart supermarket operation at Suzhou store and optimizing checkout process for the concessionaire counters. Notwithstanding additional headcount was required for the operation of the Shanghai Jiuguang Center, the total number of full-time staff employed by the Group as at 31 December 2021 was 1,167, only a small increase from 1,159 as at 31 December 2020 as the additional headcount was off-set by the number of staff being made redundant.

Other Income, Gains and Losses

Other income, gains and losses, which mainly comprises management fees, third-party payment platform charges and other miscellaneous income received from the counters/tenants, other sundry income and exchange gains/losses, recorded an increase of 26.3% to RMB130.5 million for the year ended 31 December 2021. The increase was primarily attributable to (i) rise in management fee income and third-party payment platform charges from counters amid sales growth; and (ii) a gain on lease modification of RMB17.0 million (2020: RMB15.3 million) resulting from a change in the lease term in respect of the tenancy for the Freshmart supermarket in Changning, Shanghai.

Interest and Investment Income

The Group's income from interest and investments decreased by 6.4% to RMB51.3 million in 2021 from RMB54.8 million in 2020. The drop was mainly due to a decrease in investment income from the Group's structured deposits.

Finance Costs

The Group's finance costs mainly consisted of interest incurred on bank borrowings. Total finance costs and interest incurred for the year before capitalization, was approximately RMB124.9 million (2020: RMB133.8 million) and the slight decrease was mainly due to a drop in the finance charge from lease liabilities following the lease modification relating to the lease for the Freshmart in Changning, Shanghai. Finance costs charged to the profit and loss account amounted to RMB27.9 million (2020: RMB25.4 million) comprised mainly an approximately RMB19.0 million (2020: RMB25.4 million) of finance charge in respect of lease liabilities and an approximately RMB8.9 million of bank loan interest expenses which could no longer be capitalized following opening of the Shanghai Jiuguang Center.

Liquidity and Financial Resources

The Group's adjusted EBITDA for the year increased to RMB326.4 million from RMB313.8 million recorded last year, mainly attributable to the sales growth. As at 31 December 2021, the Group's net debt (defined as cash and cash equivalents and amount due from associates less total bank borrowings, amount due to a non-controlling shareholder of subsidiaries and amount due to a joint venture) improved slightly to approximately RMB444.8 million from RMB457.8 million as at 31 December 2020.

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB1,858.2 million (2020: RMB1,906.9 million), of which RMB9.3 million was denominated in Hong Kong dollars and kept in Hong Kong. The remaining cash balance was kept in mainland China, of which approximately 4.2% was denominated in United States dollars and the remaining 95.8% in Renminbi. The decrease in cash at banks, as compared with that at 31 December 2020, was mainly a result of the RMB60 million repayment of bank loan during the year.

As at 31 December 2021, the Group's outstanding secured bank loans amounted to RMB2,340 million (2020: RMB2,400 million) and this bank loan facility bears interest calculated with reference to benchmark lending rates of the People's Bank of China. The Group's debt to equity ratio (defined as bank borrowings divided by equity attributable to owners of the Company) improved to 25.1% as at the end of the year from 26.1% a year earlier. As at 31 December 2021, the Group had no unutilized banking facility available (2020: same).

Foreign Exchange Management
The functional currency of the Company and its subsidiaries operating in the PRC is Renminbi, in which majority of the Group's transactions are denominated. As described in the "Liquidity and Financial Resources" section above, a small portion of the Group's monetary assets are denominated in foreign currencies, namely Hong Kong dollars and United States dollars. Given the fact that the majority of the Group's revenue and expenses, as well as its borrowings and capital expenditures, are denominated in Renminbi, and the Hong Kong dollar cash balance kept in Hong Kong is for settling operating expenses outside of mainland China, the Group currently does not need a comprehensive foreign currency hedging policy. Management will, however, monitor the Group's foreign currency exposure and will consider taking appropriate measures to mitigate any significant potential foreign currency risk should the need arise.

Pledge of Assets
As at 31 December 2021, certain of the Group's (i) property, plant and equipment in the PRC with a book value of approximately RMB3,936 million (2020: RMB3,382 million); (ii) right-of-use assets in the PRC with a book value of approximately RMB1,671 million (2020: RMB1,721 million); and (iii) investment property in the PRC with a book value of approximately RMB1,292 million (2020: property under development of RMB1,346 million) were pledged to secure bank loan facilities of approximately RMB2,340 million (2020: RMB2,400 million) for development of the Shanghai Jiuguang Center, which comprises both property, plant and equipment and investment property.

Contingent Liabilities
The Group did not have any material contingent liabilities as at 31 December 2021.

Significant Investments, Material Acquisitions and Disposals
There were no significant investments, material acquisitions or disposals during the year.

Review of Operations
Faced with a competitive retailing market and operation challenges, including related travel restrictions resulting from the ongoing pandemic, the Group prioritized the expansion of its retail portfolio and strengthening of its brand equity with an aim to leverage its competitiveness and strengthen customer loyalty. The Group's brand equity was further enhanced by the launch of the Group's Shanghai Jiuguang Center in late November, putting the Group in a better position to capture market opportunities and provide best in class customer experience in Shanghai. The Group also continued to take advantage of the huge demand from local middle and upper-class customers in Shanghai and Suzhou by introducing a number of new mid-range and high-end products of internationally renowned brands into the Group's department stores, further enhancing its brand image and product mix and ultimately driving sales growth.

The Group also made available from time to time non-traditional retail names to enrich its product offerings in a bid to further deepening customer engagement and driving foot traffic with increased sales ticket size. These retailers proved to be successful in lifting the sales of other shops within our stores as a result of improved foot traffic. Meanwhile, to better serve young and affluent middle-class customers in the increasingly popular e-commerce market, the Group made effective use of mobile internet technology in its marketing and promotion activities, including live streaming as well as utilizing popular social media platforms.

Shanghai Jiuguang Center

Situated in a prime location close to the Shanghai Circus World Station alongside the Shanghai Metro Line 1, the Group's Shanghai Jiuguang Center provides a gross floor area of approximately 347,000 square meters, comprising two office towers and a seven-storey retail complex. The retail complex was grand-opened on 27 November 2021 and greeted nearly 220,000 visitors in its first day of operation. The retail complex is home to a portfolio of approximately 400 retailers covering the diverse needs of local consumers. In addition to offering a variety of familiar global brands and numerous domestic favorites, the retail complex also houses restaurants, supermarkets, beauty salons and fitness centers, enabling it not only serve as a shopping venue but also a leisure and lifestyle hub. The initial response from the customers has been encouraging and during the thirty-plus business days to the end of the year following its opening in late November, the Shanghai Jiuguang Center recorded daily average footfall of approximately 112,000 visitors.

Shanghai Jiuguang

Despite sporadic outbreaks of COVID-19 noted in the city during the year, Shanghai Jiuguang continued to see an improvement in its business, thanks to the increased application of online marketing as well as the various on-site facilities introduced with an aim to enhancing customers shopping experiences. In addition to the introduction of a fitness center to meet the demand of health-conscious consumers, the Group also organized various classes for customers including make-up class, dance and floral arranging class etc. These activities not only proved to be an effective way of driving footfall into the store, but also increased opportunities for participants to visit the shops nearby. Registration for these classes is done online through mobile internet-enabled applications, and was therefore used also as part of the Group's omni-channel marketing strategy, encouraging online customers to spend at the Group's physical store.

The store's total sale proceeds for the year amounted to RMB2,292.7 million, an increase of 15.0% over that in 2020. Sales performance of cosmetic products and accessories was particularly outstanding, with a growth of more than 20.0% when compared with the previous year. Average daily footfall and stay-and-buy ratio increased 10.1% to approximately 41,000 visitors and 4.6 percentage points to 47.1% respectively. However, average ticket size saw a 2.9% year-on-year decrease to RMB432. The average concessionaire rate collected by the store remained stable at around 23.4%.

Suzhou Jiuguang

Suzhou Jiuguang continued to see strong recovery in its business, predominantly due to its customer base being largely local citizens and it is therefore less dependent on cross-city visitors and travellers. On the contrary, affluent locals who were unable to travel due to continued travel restrictions ended up spending on luxury items such as jewellery and watches locally. In a bid to enhance its retail portfolio to drive footfall, tenant-mix refinements were carried out during the year which included the introduction of a medical aesthetics center and a sporting goods brand.

Total sale proceeds for the year in Suzhou store amounted to RMB1,092.9 million, an increase of 17.9% from 2020. Similar to the Shanghai Jiuguang store, sales of cosmetics products and accessories recorded a remarkable growth of 36.5%. Average daily traffic footfall and average ticket size rose 9.6% to around 14,000 visitors and 15.7% to RMB551 respectively. Nonetheless, stay-and-buy ratio was slightly down by 2.5 percentage points to 53.1%, with the average concessionaire rate collected by the store edged lower to 16.0% from 16.8% in the preceding year as low commission rate product categories such as jewellery and watches outperformed during the year.

Dalian and Shenyang Property

The Group's commercial properties in Dalian and Shenyang remained vacant during the year and continued to suffer cash outflows of approximately RMB17.9 million for the general upkeep and maintenance costs of these properties.

Standalone Freshmart Operation

Freshmart sells high-quality food and confectionery products and is a standalone operation of the Group at a rented premise in Changning, Shanghai. To improve sales efficiency, the Group continued to try enhancing concessionaire arrangements and reducing the portion of direct sales. However, due to keen competition, the store recorded a slight decrease of 3.3% in sales proceeds in 2021. During the year, the Group continued to negotiate with the landlord for a modification of the lease term and realized a gain on such modification amounted to RMB17 million (2020: RMB15.3 million).

Investments in Associates

Beiren Group, a well-established Shijiazhuang-based retail group in which the Group holds a strategic equity interest, continued to deliver stable business performance during the year. Notwithstanding the continual outbreaks of COVID-19 in the city during the year, Beiren Group managed to achieve sales levels similar to the previous year. Net profit (after share of non-controlling interests) attributable to the Group increased 6.1% to RMB141.5 million in 2021, compared with RMB133.3 million recorded in 2020. The share of profit from this investment remained significant and accounted for more than 90% of the profit attributable to owners of the Company for the year.

As detailed in the section "EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT", the Group made Full Impairment against the full amount of Trade Receivable balances due by the Debtors during the year ended 31 December 2019.

The Group understood from the management of the Beiren Group that there has not been any progress made in terms of recovering the outstanding Trade Receivables nor obtaining further financial information related to the Debtors and the Guarantor. As at 31 December 2021 and based on information then available, the Group considered the Full Impairment against the outstanding Trade Receivables of the Debtors made in the year 2019 remained the best estimate.

The audit committee of the Company discussed and understood the concerns of the auditor that they were not able to obtain adequate evidence with respect to the current financial conditions of the Debtors and the Guarantor as no progress was made in respect of the legal proceedings taken against the Debtors and/or the Guarantor. The audit committee of the Company agreed with the management's view regarding the qualified opinion issued by the auditor in the Independent Auditor's Report.

The Group will make continuous efforts to further explore with management of the Beiren Group options in obtaining relevant information of the Debtors, including but not limited to financial information and financial conditions of the Debtors and the Guarantor that could be pursued to settle the outstanding Trade Receivables. Furthermore, the Group will continue to make regular contact with management of the Beiren Group to monitor the development of the situation and to assess the possibility of recovering the outstanding Trade Receivables from the Debtors and will discuss the same with the auditor to address the issue in due course.

Outlook and Plan

Looking ahead, with the COVID-19 pandemic showing no signs of abating and the escalating geopolitical tensions, the external environment is set to remain complex and uncertain. While China's economy will continue to face potential hardships due to ongoing trade tensions and continued sporadic outbreaks of COVID-19, the government is likely to deploy various fiscal and monetary policies to boosting the country's economic development with an aim to achieving the 5.5% GDP growth target for 2022. In view of this, the Group remains cautiously optimistic that China's economy will remain relatively strong, keeping consumer confidence at a relatively stable level.

In order to capture business opportunities arising from the rapidly changing consumption patterns, the Group will continue to position itself as a department store chain serving the sophisticated needs of China's middle class and high-spending younger generation. We will remain committed to optimizing product mix and enhancing customer services so as to further strengthen the brand equity and continue to provide best in class shopping experiences that meet the customers' expectations.

The Group is also set to strengthen the integration of its online and offline retail experience through leveraging on social media platforms and mobile internet technology. We will continue to making use of our retail management system to understand consumer behavior and make timely adjustments to our product assortment in order to better serve our customers. The Group also plans to actively explore new marketing initiatives and utilize engaging marketing campaigns which feature livestreaming, short video clips and other emerging media with an aim to broaden its customer base and increase customer loyalty.

Separately, the leasing work to recruit tenants for the two office blocks of the Shanghai Jiuguang Center have been commenced. Benefitting from being next to the metro station and with its proximity to the retail complex, the office blocks are set to becoming the Group's new source of income growth.

With the expected government supportive policies in the near term, China's retail sector and the business operations of the Group are expected to remain healthy. Leveraging the strong brand equity and dedicated management team, the Group is poised to explore potential investment opportunities with the overall aim of achieving long-term growth and providing returns to its shareholders.

EMPLOYEES

As at 31 December 2021, the Group employed a total of 1,167 employees, with 1,162 stationed in mainland China and 5 in Hong Kong. The staff costs (excluding directors' emoluments) amounted to RMB191.3 million (2020: RMB155.6 million) for the year ended 31 December 2021. The Group ensures that 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.

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 for the year ended 31 December 2021, 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 operations.

DIVIDEND

The Board has resolved to not declare any dividend for the year ended 31 December 2021 (2020: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Monday, 27 June 2022, the register of members of the Company will be closed from Wednesday, 22 June 2022 to Monday, 27 June 2022, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 21 June 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

REVIEW OF ANNUAL RESULTS

The Group's audited consolidated results for the year ended 31 December 2021 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditors, Messrs. PricewaterhouseCoopers, to the amounts set out in the Group's drafted audited consolidated financial statements for the year. The work performed by Messrs. PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. PricewaterhouseCoopers on this preliminary announcement.

ACKNOWLEDGEMENT

We would like to thank our staff for their hard work and dedication they have bestowed upon the Group over the past year, in spite of the challenging operating environment in the wake of the pandemic. We would also like to extend our gratitude to our customers, business partners and shareholders for their continued support.

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

Hong Kong, 18 March 2022

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.