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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 2019

HIGHLIGHTS

- Turnover decreased 1.1% to RMB603.0 million
- Profit attributable to owners of the Company increased 7.9% to RMB190.8 million
- Earnings per share amounted to RMB0.13, an increase of 16.1%
- No interim dividend has been declared by the Board

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 2019, together with comparative figures for the corresponding period in 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**602,996**	609,498
Cost of sales	*3*	**(209,966)**	(195,496)
Gross profit		**393,030**	414,002
Other income, gains and losses		**47,425**	28,958
Selling and distribution costs		**(209,714)**	(249,479)
Administrative expenses		**(69,588)**	(70,205)
Interest and investment income	*4*	**35,316**	37,100
Share of profit of a joint venture		**15,757**	18,234
Share of profits of associates		**197,343**	189,476
Finance costs	*5*	**(16,325)**	-
Profit before taxation		**393,244**	368,086
Taxation	*6*	**(73,486)**	(69,494)
Profit for the period	*7*	**319,758**	298,592
Other comprehensive (expense) income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(25)**	1,189
Other comprehensive (expense) income for the period		**(25)**	1,189
Total comprehensive income for the period		**319,733**	299,781
Profit for the period attributable to:			
Owners of the Company		**190,772**	176,803
Non-controlling interests		**128,986**	121,789
		319,758	298,592
Total comprehensive income attributable to:			
Owners of the Company		**190,747**	177,992
Non-controlling interests		**128,986**	121,789
		319,733	299,781
Earnings per share:			
Basic	*9*	**RMB0.130**	RMB0.112

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	NOTES	**30 June 2019** **RMB'000** **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**4,471,312**	4,211,465
Right-of-use assets		**2,840,357**	-
Prepaid lease payments		-	2,224,965
Interests in associates		**3,535,280**	3,337,937
Interest in a joint venture		**402,054**	386,297
Properties under development		**1,071,001**	1,044,417
Other receivables		**138,098**	135,323
		12,458,102	11,340,404
Current assets			
Inventories		**49,340**	49,574
Prepaid lease payments		-	65,775
Trade and other receivables	*10*	**149,492**	181,221
Amount due from a joint venture		-	30,584
Financial assets at fair value through profit or loss ("FVTPL")		**451,200**	540,860
Bank balances and cash		**1,610,886**	1,536,381
		2,260,918	2,404,395
Current liabilities			
Trade and other payables	*11*	**743,451**	931,992
Amount due to a joint venture		**23,061**	13,602
Tax payable		**27,951**	56,201
Bank borrowings – due within one year		**20,000**	10,000
Lease liabilities		**95,011**	-
Contract liabilities		**10,250**	7,378
		919,724	1,019,173
Net current assets		**1,341,194**	1,385,222
Total assets less current liabilities		**13,799,296**	12,725,626

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 30 JUNE 2019

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Bank borrowings – due after one year	**2,316,882**	2,099,000
Deferred tax liabilities	**44,353**	32,382
Amount due to a non-controlling shareholder of subsidiaries	**44,296**	44,296
Lease liabilities	**524,084**	-
	2,929,615	2,175,678
	10,869,681	10,549,948
Capital and reserves		
Share capital	**6,291**	6,291
Reserves	**9,246,725**	9,055,978
Equity attributable to owners of the Company	**9,253,016**	9,062,269
Non-controlling interests	**1,616,665**	1,487,679
	10,869,681	10,549,948

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2019

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").

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.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	861,700
Lease liabilities discounted at relevant incremental borrowing rate	667,330
Less: Recognition exemption - short-term leases	(275)
Recognition exemption - low value assets	(733)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	666,322
Analysed as	
Current	93,000
Non-current	573,322
	666,322

The carrying amount of right-of-use assets as at 1 January 2019 comprised the following:

	Right-of-use assets
	RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	666,322
Reclassified from prepaid lease payments	2,290,740
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	(30,987)
	2,926,075
By class:	
Leasehold lands	2,290,740
Buildings	635,335
	2,926,075

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases - continued

Transition and summary of effects arising from initial application of HKFRS 16 - continued

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current Assets			
Right-of-use assets	-	2,926,075	2,926,075
Prepaid lease payments	2,224,965	(2,224,965)	-
Current Assets			
Prepaid lease payments	65,775	(65,775)	-
Current Liabilities			
Trade and other payables	931,992	(30,987)	901,005
Lease liabilities	-	93,000	93,000
Non-current Liabilities			
Lease liabilities	-	573,322	573,322

3. TURNOVER AND SEGMENT INFORMATION

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

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Types of goods or service (under HKFRS 15)		
Sales of goods - direct sales	**236,356**	246,140
Income from concessionaire sales	**303,075**	305,222
Service income	**19,330**	19,197
Total goods and service (under HKFRS 15)	**558,761**	570,559
Rental income (under HKFRS16/ HKAS 17)	**44,235**	38,939
	602,996	609,498
By geographical locations		
Hong Kong	-	29,030
The People's Republic of China (the "PRC")	**602,996**	580,468
	602,996	609,498
Timing of revenue recognition		
At point in time		
Sales of goods - direct sales	**236,356**	246,140
Over time		
Income from concessionaire sales	**303,075**	305,222
Service income	**19,330**	19,197
	322,405	324,419
Rental income	**44,235**	38,939
	602,996	609,498

The cost of sales are analysed as follows:

Cost of goods sold - direct sales	**192,234**	175,060
Other cost of sales	**17,732**	20,436
	209,966	195,496

3. TURNOVER AND SEGMENT INFORMATION (continued)

<u>Segment information</u>

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. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the chief executive of the Company).

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 and accordingly no separate segment information other than entity-wide information is presented.

The Group has no customers that contributed over 10% of the total turnover of the Group for both periods.

Geographical information

Analysis of the Group's turnover by geographical location are detailed below:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Turnover		
Hong Kong	**-**	29,030
The PRC	**602,996**	580,468
	602,996	609,498

The Group's non-current asset are all based in the PRC.

4. INTEREST AND INVESTMENT INCOME

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest income on bank deposits	**20,879**	9,964
Net changes in fair value of financial assets at FVTPL	-	1,736
Dividend income from financial assets at FVTPL	-	249
Investment income from financial assets at FVTPL	**11,528**	22,303
Imputed interest income from loan receivables	**2,777**	2,777
Other interest income	**132**	71
	35,316	37,100

5. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Interest on :		
Bank borrowings	**50,733**	36,211
Lease liabilities	**16,325**	-
Less: Amount capitalised as construction in progress and properties under development	**(50,733)**	(36,211)
	16,325	-

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 periods.

6. TAXATION

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**-**	1,143
The PRC Enterprise Income Tax	**61,516**	55,784
	61,516	56,927
Deferred tax charge	**11,970**	12,567
	73,486	69,494

The Group has no assessable profits from Hong Kong in the current period. Provision for Hong Kong Profits Tax provided in the condensed consolidated financial statements is calculated at 16.5% of the assessable profits for the prior period. 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 periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**51,474**	56,432
Depreciation of right-of-use assets	**85,719**	-
	137,193	56,432
Less: Amount capitalised in construction in progress	**(24,291)**	-
	112,902	56,432
(Reversal of) Impairment loss in respect of lease/rental receivables	**(509)**	3,077
Impairment loss in respect of property, plant and equipment	-	3,600
Release of prepaid lease payments	-	32,888
Less: Amount capitalised as construction in progress	-	(24,291)
	-	8,597

8. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2019 (2018: nil), nor has any dividend been proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**190,772**	176,803

	30 June 2019	30 June 2018
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,464,449**	1,572,386

Diluted earnings per share are not presented as there were no potential ordinary shares in issue during both periods.

10. TRADE AND OTHER RECEIVABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade receivables		
- good and services (under HKFRS 15)	**25,455**	60,801
- operating leases receivables (under HKFRS 16/ HKAS 17)	**6,358**	7,574
	31,813	68,375
Less: Allowance for credit losses	**(1,172)**	(1,681)
	30,641	66,694
Prepayments	**179**	250
Deposit paid	**4,600**	4,635
Value added tax ("VAT") receivable	**89,938**	96,967
Loan receivables (note)	**138,098**	127,684
Others	**46,387**	42,567
	279,202	272,103
Less: Allowance for credit loss	**(22,253)**	(22,253)
	256,949	249,850
Total trade and other receivable	**287,590**	316,544
Less: Non-current portion (note)	**(138,098)**	(135,323)
	149,492	181,221

Note: The amount represented the outstanding balance of loans to certain employees of 北國商城股份有限公司 ("Beiguo") for the purpose of enabling them to acquire shares of Beiguo. The loans are secured against the share interests in Beiguo held by the respective employees. The loans are for a period of three years from the date of grant in August 2017 and bear interests at a rate equivalent to benchmark interest rate as quoted by the People's Bank of China.

The Group's retail sales to customers are mainly in cash, through debit card or credit card payments. The trade receivables arising from credit card sales are normally settled in one to two business days 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 2019 *RMB'000*	31 December 2018 *RMB'000*
0 – 30 days	**29,213**	64,235
31 – 60 days	**557**	659
61 – 90 days	**260**	169
Over 90 days	**611**	1,631
	30,641	**66,694**

11. TRADE AND OTHER PAYABLES

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
Trade payables	**41,323**	**44,926**
Construction payables	**30,884**	**54,734**
Concessionaire sales payables	**414,856**	**499,573**
Deferred income (note)	**115,953**	**114,798**
Rental deposits received	**73,119**	**72,318**
Accrued expenses	**13,562**	**33,210**
VAT payable	**5,167**	**28,609**
Interest payables	**2,866**	**2,684**
Others	**45,721**	**81,140**
	743,451	**931,992**

Note: Deferred income represented the refundable deposits made by the customers into the prepaid cards.

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

	30 June 2019 *RMB'000*	31 December 2018 *RMB'000*
0 – 30 days	**21,929**	33,919
31 – 60 days	**12,263**	2,795
61 – 90 days	**1,460**	2,300
Over 90 days	**5,671**	5,912
	41,323	44,926

The average credit period of trade payables and concessionaire sales payables is within 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The Sino-U.S. trade disputes that broke out in 2018 persisted in the first half of 2019 and continued dampening China's economic growth. In the second quarter of 2019, China recorded the lowest quarterly gross domestic growth of 6.2% since March 1992 and as a result, consumer sentiment was affected, as reflected by the deceleration of the country's year-on-year retail sales growth to 8.4% in the first half of 2019 from the 9.4% in the first half of 2018. A breakdown of growth in retail sales by the type of retail outlets showed that retail sales at China's department store sector rose only by 1.5% year on year in the first half of 2019, down from the year-on-year growth of 4.6% in the first half of 2018. Meanwhile, the year-on-year retail sales growth at the supermarket sector in the first half of 2019 was 7.4%, the same as that in the first half of 2018.

Against this backdrop of a complicated business environment, the Chinese government has adopted measures and policies with an aim to boosting the slowing economy and stimulating domestic consumption. Moreover, devaluation of the Chinese currency also seemed to have discouraged Chinese citizens' spending outside of their homeland. These positive factors might have helped the Group, which is positioned as an operator of department stores that are geared to the daily needs of middle-class families in the relatively affluent and vibrant cities, to achieving stable financial results in the first half of 2019 despite the difficult operating environment.

Financial Review

Turnover and Sales Proceeds

For the six months ended 30 June 2019 ("Period"), the Group's turnover slightly decreased 1.1% to approximately RMB603.0 million comparing with RMB609.5 million recorded in the same period of 2018, amidst the ongoing Sino-United States trade war that dampened China's economic growth and consumer sentiment. The Group's department stores, Shanghai Jiuguang and Suzhou Jiuguang, reinforced their positioning as the ones that cater to the middle-class families' needs for mid-range and high-end products. Rather remarkably, sales of cosmetic products at our Shanghai Jiuguang surged by 21.3% year on year, the highest among all product categories. At our Suzhou Jiuguang, the growth in sales proceeds was mainly driven up by the sales of fashion accessories, household goods and products for babies after more high-end international brands were introduced to the department store. With the Group's effective promotional and marketing campaigns, net sales proceeds of the Group increased 1.2% to RMB1,646.4 million during the Period, when comparing to the same period last year. If sales revenue of the Japanese restaurant operations, which were ceased in July 2018, were excluded, the Group's sales proceeds would have increased by 3.4% year on year.

Gross Profit and Concessionaire Rate

Gross profit amounted to RMB393.0 million for the Period and the gross profit margin as a percentage of net sales proceeds decreased slightly to 23.9% from 25.4% in the same period of 2018. Gross profit margin as a percentage of turnover decreased slightly to 65.2% from 67.9% . Average concessionaire rate slightly decreased to 21.6% as the Group continued to offer top-notch shopping experience to customers with enhanced product portfolio and seamless services.

Net Profit Attributable to Shareholders
Net profit attributable to owners of the Company for the period increased 7.9% to RMB190.8 million, compared with RMB176.8 million for the same period of the previous year. The increase in profit was mainly due to increase in other income. For the Period under review, the Group's net profit margin as a percentage of turnover was 31.6%, comparing to 29.0% for the first half of 2018.

Selling and Distribution Costs
Aggregate selling and distribution costs of the Group decreased by 15.9% to RMB209.7 million (2018: RMB249.5 million), which was mainly attributable to (i) adoption of new accounting standard in relation to lease causing a decrease in lease related expenses recognized; (ii) lower front-end staff expenses resulting from cessation of the Japanese restaurant operations; and (iii) lower in repair and maintenance expenses. As a result, the Group's aggregate selling and distribution expenses as a percentage of total sales proceeds decreased to approximately 12.7% during the Period from 17.3% for the same period of 2018.

Administrative Expenses
The Group's general administrative expenses remained stable at RMB69.6 million for the Period (2018: RMB70.2 million), which was in line with the business operation of the Group.

Staff Costs
Staff costs (excluding directors' emoluments) decreased by 9.0% year on year to approximately RMB78.9 million during the Period. The year-on-year decrease in staff costs was a result of a reduction in the overall headcount. The total number of full-time staff of the Group as at 30 June 2019 was 1,190, compared with 1,216 as at 31 December 2018.

Other Income, Gains and Losses
Other income, gains and losses mainly comprise management fee income, credit card charges and other miscellaneous income received from the counters/tenants, other sundry incomes/expenses and exchange gain/loss. The increase was mainly attributable to (i) absence of the provision made in last period for closure of the Group's restaurant business in the PRC; and (ii) a turnaround from an exchange loss of RMB8.8 million in 2018 to an exchange gain of RMB0.1 million this Period on the Group's bank balances denominated in United States dollars and Hong Kong dollars as the RMB has been weakening against these two currencies since beginning of the year.

Interest and Investment Income
The interest and investment income decreased by 4.8% to RMB35.3 million during the Period which was mainly due to lower investment income from structured deposits.

Finance Costs
The Group's finance costs consisted mainly of interests incurred on bank borrowings and finance charge in respect of lease liabilities. The aggregate amount of interests incurred for the Period, before capitalisation, was approximately RMB67.1 million (2018: RMB36.2 million), of which RMB50.7 million (2018: RMB36.2 million) was related to the Group's Daning project in Shanghai and was fully capitalised. The increase comparing to the previous year was mainly due to increase in the total bank borrowings for funding capital expenditure of the Daning project. The finance costs charged to profit and loss account amounted to RMB16.3 million (2018: nil), representing the finance charge arising from the

lease liability following adoption of the new accounting standard.

Liquidity and Financial Resources

The Group's adjusted EBITDA for the Period edged up slightly to RMB205.6 million, from RMB198.4 million recorded in the same period of 2018. As at 30 June 2019, the Group's net debt (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) amounted to approximately RMB793.4 million, compared with RMB630.5 million as at 31 December 2018. The higher net debt position was mainly attributable to increased bank borrowings for funding capital expenditure of the Group's Daning project and increase in the amount due to a joint venture.

The Group's bank balances and cash amounted to approximately RMB1,610.9 million (31 December 2018: RMB1,536.4 million) as at 30 June 2019, of which RMB18.8 million, denominated in HK$, was kept in Hong Kong, with the balance, which included approximately 89.3% denominated in Renminbi and the remaining 10.7% in the United States dollars, were kept in mainland China. The increase in cash at banks as compared to 31 December 2018 was the Group's net realization of structured deposits of approximately RMB89.7 million during the Period which was previously classified as financial investments.

As at 30 June 2019, the Group's secured bank loans amounted to approximately RMB2,336.9 million (31 December 2018: RMB2,109.0 million), bearing interest calculated with reference to benchmark lending rates of the People's Bank of China. As at 30 June 2019, the Group had aggregate unutilised banking facilities in the amount equivalent to approximately RMB113.1 million (31 December 2018: RMB341.0 million). The Group's debt to equity ratio (defined as bank borrowings divided by equity attributable to the owners of the Company) was 25.3% (31 December 2018: 23.3%) 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 and is subject to foreign currency changes depending on the strength of the RMB from time to time. Given the fact that majority of the Group's revenue and expenses as well as borrowings and capital expenditures are denominated in Renminbi, and that the Hong Kong dollar cash balance kept in Hong Kong is purposely for settling expenses incurred outside of mainland China, the Group currently does not require 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 potential significant foreign currency risks should the need arises.

Pledge of Assets

As at 30 June 2019, the Group pledged certain of the Group's (i) property, plant and equipment of RMB2,648.3 million (31 December 2018: RMB2,337 million), (ii) right-of-use assets of RMB1,748.0 (31 December 2018: prepaid lease payment of RMB1,772 million) and (iii) property under development of RMB1,071.0 million (31 December 2018: RMB1,044 million) in the PRC to secure bank borrowing amounting to RMB2,336.9 million (31 December 2018: RMB2,109.0 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2019.

Material Acquisitions and Disposals

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

Review of Operations

Apart from the macro uncertainties which are clouding the economy, conventional brick-and-mortar retailing sector is also facing with such challenges as increasing competition from the e-commerce that has induced rapid changes in the consumption patterns of the younger group of consumers. To cope with the situation, the Group forged ahead with its promotional and marketing campaigns. It also geared its product assortment more towards the mid-range and high-end markets and leveraged mobile internet-enabled applications on handsets to attract footfall to its department stores. These measures, coupled with the government's policies on bolstering the decelerating economy and boosting domestic consumption, including the effect from the devaluation of the Chinese currency that enticed the Chinese citizens to spend in homeland rather than in overseas, have helped the Group attaining stable financial results for the Period.

Shanghai Jiuguang

The Group's Shanghai Jiuguang recorded year-on-year increase of 3.2% in sales proceeds in the first half of 2019 as the Group geared its product assortment further to cater to the mid-range and high-end markets. Among the product categories, performance of direct sales of cosmetic products was the strongest with a year-on-year increase of 23.9% in sales. The average daily footfall rose by 1.0% year on year to around 49,000 visitors. Although the stay-and-buy ratio decreased by 0.7 percentage point year on year to 37.7%, the average ticket size increased by 3.0% to RMB450. The Group also continued with promotional and marketing campaigns, including activities for its club members, to deepening engagement with its VIPs. The average concessionaire rate collected by the store remained stable at approximately 23.1% for the Period as comparing with 23.4% in the first half of 2018.

Suzhou Jiuguang

Suzhou Jiuguang, which is positioned as a department store that meets the needs of the middle-class families in a second-tier city, stepped up its efforts to fine-tuning its product assortment to the target markets. The department store recorded a year-on-year increase of 5.6% in sales proceeds in the first half of 2019. The growth was mainly driven by the sales of fashion accessories, household goods and babies products after more high-end international brands of such products were introduced to the department store. While the average ticket size saw a decrease of 3.8% year on year to RMB408, the average daily footfall rose by 1.5% to about 20,000 visitors, with the stay-and-buy ratio increased 3.0 percentage points to 45.6%. The average concessionaire rate collected by the store decreased to 18.3% from 19.0% in the first half of 2018.

Dalian Jiuguang

Dalian Jiuguang remained vacant throughout the reporting period. The Group will continue to report negative cash flow from this property due to the maintenance expenses. The Group is seeking opportunities to improve the return on the property.

Standalone Freshmart Operation

Freshmart, which sells high-quality food and confectionary products as a standalone operation of the Group at a rented premise in Changning, Shanghai, continued to struggle during the Period. The product assortments have been adjusted to cater to the needs of the office workers at a building where the Freshmart is located. Meanwhile, the portion of direct sales was reduced and the portion of concessionaire sales was increased to boost the sales efficiency at Freshmart.

Interests in Associates

Beiren Group, a well-established Shijiazhuang-based retailer in which the Group maintains a strategic equity interest, recorded a year-on-year low single digit decrease in aggregate sales proceeds during the Period. Net profit (after share of non-controlling interests) attributable to the Group remained stable at RMB118.3 million (2018: RMB117.7 million) and the share of profit from this investment remained significant and important to the Group as it accounted for 62.1% of the profit attributable to owners of the Company for the Period.

Business Expansion

Construction work of the Group's retail and commercial complex in Daning, Jingan District, Shanghai is close to its final stage. The project comprises a large retail complex, which will house the Group's second Jiuguang store in Shanghai, and two office blocks. The commercial complex is expected to be put into use in 2020 when it will start generating cash flows to the Group as well as boosting the Group's business presence and further enhance its brand equity in Shanghai.

Outlook and Plan

The prospect of the retail sector in China is clouded by the ongoing Sino-United States trade war and the resultant slowdown of the growth of the Chinese economy. Nevertheless, the Chinese government's measures to boosting the economic growth and domestic consumption can serve to mitigate the adverse impacts of the complicated and volatile business environment. Other challenges that the Group has to take on are the competition from both the newly opened shopping malls in the localities of its department stores, the intensifying competition from the e-commerce and the rapidly changing consumption patterns of the younger generation.

To stay competitive, the Group's department stores will reinforce their positioning as the ones that cater to the daily needs of the middle-class families. It will introduce more mid-range and high-end products of internationally renowned brands to enriching its product assortment. This can help to distinguish the Group's department stores from their competitors and those through the e-commerce and digital channels.

In order to gear itself to the consumption patterns of the young consumers, the Group will conduct omni-channel marketing with the help of its mobile internet-enabled application that runs on social media platforms, its retail management system and its customer relationship management system. The mobile internet-enabled application will enable a number of functions, including conversion of consumption points earned from making purchases at the Group's department stores to cash coupons for consumption at other businesses such as cafes or cinemas which form alliances with the Group, advertisement of products and services, and themed marketing and promotional activities. Such applications will also operate seamlessly with the Group's retail management system that will enable collection of data about customers' consumption patterns and preferences so that the Group will be able to adjust its product assortment and conduct precision marketing and promotional activities accordingly. These measures will enable the Group to serve its VIP club members better, thus further enhancing their shopping experience and ultimately customer loyalty.

The Group will continue to roll out measures with the aim of boosting its sales revenue and generating better returns to shareholders. It will also continue to seek opportunities for investment that can lead to its sustainable and profitable growth.

EMPLOYEES

As at 30 June 2019, the Group employed a total of 1,190 employees, with 1,185 stationed in mainland China and 5 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to RMB78.9 million (2018: RMB86.7 million) for the six months ended 30 June 2019. 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2019 (2018: nil).

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 2019, except the following deviation:

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

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 2019.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2019 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, 12 August 2019

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.