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 2018

HIGHLIGHTS

- Turnover remained stable at RMB609.5 million
- Profit attributable to owners of the Company increased 2.9% to RMB176.8 million
- Earnings per share amounted to RMB0.112, an increase of 4.7%
- 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 2018, together with comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2018

	NOTES	Six months ended 30 June 2018 RMB'000 (Unaudited)	2017 RMB'000 (Unaudited)
Turnover	3	**609,498**	608,199
Cost of sales	3	**(195,496)**	(178,937)
Gross profit		**414,002**	429,262
Other income, gains and losses		**28,958**	33,333
Selling and distribution costs		**(249,479)**	(279,766)
Administrative expenses		**(70,205)**	(51,768)
Interest and investment income	4	**37,100**	24,082
Share of profit of a joint venture		**18,234**	18,854
Share of profits of associates		**189,476**	200,018
Finance costs	5	**-**	(3,046)
Profit before taxation		**368,086**	370,969
Taxation	6	**(69,494)**	(70,354)
Profit for the period	7	**298,592**	300,615
Other comprehensive income(expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**1,189**	(605)
Other comprehensive income(expense) for the period		**1,189**	(605)
Total comprehensive income for the period		**299,781**	300,010
Profit for the period attributable to:			
Owners of the Company		**176,803**	171,828
Non-controlling interests		**121,789**	128,787
		298,592	300,615
Total comprehensive income attributable to:			
Owners of the Company		**177,992**	171,223
Non-controlling interests		**121,789**	128,787
		299,781	300,010
Earnings per share:			
Basic	9	**RMB0.112**	RMB0.107

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	NOTES	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**3,965,161**	3,796,539
Prepaid lease payments		**2,257,852**	2,290,740
Interests in associates		**3,258,819**	3,069,343
Interest in a joint venture		**409,481**	391,247
Properties under development		**977,599**	924,368
Deferred tax assets		**389**	378
Other receivables		**127,684**	127,684
		10,996,985	10,600,299
Current assets			
Inventories		**42,149**	42,555
Prepaid lease payments		**65,775**	65,775
Trade and other receivables	*10*	**156,696**	172,836
Dividend due from an associate		**-**	2,465
Amount due from a joint venture		**-**	30,000
Financial assets at fair value through profit or loss		**1,062,390**	856,615
Bank balances and cash		**781,971**	1,280,755
		2,108,981	2,451,001
Current liabilities			
Trade and other payables	*11*	**786,560**	1,031,890
Amount due to a joint venture		**21,963**	44,836
Tax payable		**24,868**	56,905
Bank borrowings – due within one year		**10,000**	5,000
		843,391	1,138,631
Net current assets		**1,265,590**	1,312,370
Total assets less current liabilities		**12,262,575**	11,912,669

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
AT 30 JUNE 2018

	30 June 2018 *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited)
Non-current liabilities		
Bank borrowings – due after one year	**1,758,682**	1,370,202
Deferred tax liabilities	**43,997**	31,424
Amount due to a non-controlling shareholder of subsidiaries	**74,995**	89,795
	1,877,674	1,491,421
	10,384,901	10,421,248
Capital and reserves		
Share capital	**6,375**	6,884
Reserves	**8,902,342**	9,059,969
Equity attributable to owners of the Company	**8,908,717**	9,066,853
Non-controlling interests	**1,476,184**	1,354,395
	10,384,901	10,421,248

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 ("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 and loss ("FVTPL"), which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new 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 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

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 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 "Prepayment Features with Negative Compensation" in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"

Summary of effects arising from initial application of HKFRS 15

The Group has applied the modified retrospective method of transition to HKFRS 15. The following adjustments were made to the amounts recognised in the note to condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS 15 at 1 January 2018
		RMB'000	RMB'000	RMB'000
Trade and other payables:				
Deferred income	a	3,738	(3,738)	-
Contract liabilities	a	-	3,738	3,738

(a) At the date of initial application, included in trade and other payables was an amount of RMB2,879,000 and RMB859,000 related to unredeemed balance of the Group’s loyalty points under loyalty reward programs and gift certificates purchased by customers, respectively. These balances were reclassified to contract liabilities upon application of HKFRS 15 as it represented the Group’s performance obligation to transfer goods or services in the future.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's note to the condensed consolidated statement of financial position as at 30 June 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the note to condensed consolidated statement of financial position

	Note	As reported	Adjustments	Amounts without application of HKFRS 15
		RMB'000	RMB'000	RMB'000
Trade and other payables:				
Deferred income	b	-	3,494	3,494
Contract liabilities	b	3,494	(3,494)	-

(b) Upon application of HKFRS 15, the amount RMB3,494,000 in relation to balance of unredeemed loyalty points under loyalty reward programs and gift certificates purchased by customers had been reclassified from deferred income to contract liabilities as at 30 June 2018.

There was no impact on the Group's condensed consolidated statement of profit or loss and other comprehensive income for the current interim period.

3. TURNOVER AND SEGMENT INFORMATION

	Six months ended 30 June	
	2018	2017
	RMB’000	RMB’000
Sales of goods - direct sales	**246,140**	220,023
Income from concessionaire sales	**305,222**	329,393
Service income	**19,197**	17,404
Rental income	**38,939**	41,379
	609,498	608,199

The cost of sales are analysed as follows:

Cost of goods sold - direct sales	**175,060**	149,843
Other cost of sales	**20,436**	29,094
	195,496	178,937

Set out below is the disaggregation of revenue and the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Six months ended 30 June 2018 RMB'000
Recognised at a point in time:	
Sales of goods - direct sales	**246,140**
Recognised over time:	
Income from concessionaire sales	**305,222**
Service income	**19,197**
	324,419
Revenue from contracts with customers	**570,559**
Rental income	**38,939**
	609,498

3. TURNOVER AND SEGMENT INFORMATION (continued)

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. Chief Executive Officer 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 is prepared.

Geographical information

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

Revenue

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Hong Kong	**29,030**	28,934
The People's Republic of China (the "PRC")	**580,468**	579,265
	609,498	608,199

4. INTERESTS AND INVESTMENT INCOME

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest income on bank deposits	**9,964**	19,710
Net change in fair value of financial assets at FVTPL	**1,736**	1,945
Dividend income from financial assets at FVTPL	**249**	304
Investment income from financial assets at FVTPL	**22,303**	1,056
Other interest income	**2,848**	1,067
	37,100	24,082

5. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Interest on Bank borrowings	**36,211**	26,850
Less: Amount capitalised as construction in progress and properties under development	**(36,211)**	(23,804)
	-	3,046

6. TAXATION

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**1,143**	1,037
The PRC Enterprise Income Tax	**55,784**	58,016
	56,927	59,053
Deferred tax	**12,567**	11,301
	69,494	70,354

Hong Kong Profits Tax is provided in the condensed consolidated financial statements at 16.5% (six months ended 30 June 2017: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30 June 2017: 25%) on the estimated assessable profit for the period.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging (crediting):		
Depreciation	**56,432**	57,792
Impairment loss in respect of trade receivables	**3,077**	-
Impairment loss in respect of property, plant and equipment	**3,600**	-
Release of prepaid lease payments	**32,888**	32,888
Less: Amount capitalised as construction in progress	**(24,291)**	(24,291)
	8,597	8,597

8. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2018 (2017: 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	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**176,803**	171,828

	30 June 2018	30 June 2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,572,386**	1,602,587

No dilutive earnings per share is presented as there were no dilutive potential ordinary shares in issue during both periods.

10. TRADE AND OTHER RECEIVABLES

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade receivables	**17,959**	48,925
Rental receivables	**24,435**	7,317
Prepayments	**140**	1,989
Deposit paid	**8,053**	6,052
Value added tax ("VAT") receivable	**75,913**	83,168
Loan receivables (note)	**127,684**	127,684
Others	**30,196**	25,385
	284,380	300,520
Less: Non-current portion (note)	**(127,684)**	(127,684)
	156,696	172,836

Note: The amount represented the outstanding balance of loans to certain employees of 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 the one-year RMB 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 all aged 0 to 30 days and neither past due or impaired at the end of the reporting period.

The rental receivables representing rental income receivables are normally settled 30 to 90 days in arrears. The following is an aged analysis of rental receivables net of allowance for doubtful debts, if any, presented based on the invoice date, which approximates the respective revenue recognition dates:

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
0 – 30 days	**8,861**	5,019
31 – 60 days	**8,667**	998
61 – 90 days	**2,038**	611
Over 90 days	**4,869**	689
	24,435	7,317

11. TRADE AND OTHER PAYABLES

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
Trade payables	**34,192**	46,513
Construction payables	**59,455**	136,900
Concessionaire sales payables	**406,439**	499,156
Deferred income	-	3,738
Receipts in advance from customers	**100,480**	118,893
Rental deposits received	**63,348**	56,241
Contract liability	**3,494**	-
Accrued expenses	**19,029**	41,368
VAT payable	**6,080**	43,742
Interest payables	**2,223**	1,853
Others	**91,820**	83,486
	786,560	1,031,890

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

	30 June 2018 *RMB'000*	31 December 2017 *RMB'000*
0 – 30 days	**26,314**	38,867
31 – 60 days	**2,324**	1,603
61 – 90 days	**727**	1,393
Over 90 days	**4,827**	4,650
	34,192	46,513

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

Market Overview

China's economy maintained momentum of steady growth as its gross domestic product increased by 6.8% in the first half of 2018, at the same rate as in the first half of 2017. Meanwhile, China continued to maintain its monetary tightening policy that its stock as well as property market have so far been negatively affected. Fears of the imminent Sino-United States trade war also casted a shadow over the consumer sentiment. As a result, growth of China's retail sales decelerated to 9.4% in the first half of 2018 from 10.4% in the first half of 2017. Retail sales at China's department stores increased 4.6% in the first half of 2018, decelerating from the growth of 5.8% in the first half of 2017. In contrast, year-on-year growth in retail sales at the supermarkets accelerated to 7.4% in the first half of 2018 from the 6.3% in the first half of 2017.

Financial Review

Turnover and Sales Proceeds

For the first six months ended 30 June 2018 ("Period"), turnover of the Group remained stable at RMB609.5 million when compared to the same period of the previous year amid China's tightening measures and escalating Sino-U.S trade tensions which weighed on consumer sentiment. The Group managed to deliver resilient performance amid challenging market conditions as its two department stores, namely Shanghai Jiuguang and Suzhou Jiuguang managed to grow the average ticket size with attractive product and brand mix under refined customer shopping environement. Net sales proceeds however decreased slightly by 0.8% to RMB1,627.6 million and among different product categories, sales growth of cosmetics and skin care products was the strongest.

Gross Profit and Concessionaire Rate

Gross profit amounted to RMB414.0 million for the period and the gross profit margin as a percentage of net sales proceeds decreased slightly to approximately 25.4% from 26.2% in the same period of 2017. Gross profit margin as a percentage of turnover also decreased slightly to 67.9% from 70.6% due to higher growth in direct sales. Average concessionaire rate remained stable at approximately 22.2% as the Group continued to provide customers with tailor-made promotion activities and pleasurable shopping experience.

Net Profit Attributable to Shareholders

Net profit attributable to owners of the Company for the period amounted to RMB176.8 million, an increase of 2.9% from RMB171.8 million for the same period of the previous year. The increase in profit was mainly due to increase in interest income, which was boosted by higher bank deposit interest income. For the Period under review, the Group's net profit margin as a percentage of turnover edged up to 29.0%, compared with 28.3% for the first half of 2017.

Selling and Distribution Costs

Aggregate selling and distribution costs of the Group remained relatively stable and the decrease to RMB249.5 million for the Period was mainly attributable to the reclassification of the cost of promotional discount coupons from previously selling expenses to as a reduction of the turnover. The decrease was also a result of certain staff costs being reallocated from selling to administrative expenses. The Group's aggregate selling and distribution expenses (before reclassification of the discount coupon) as a percentage of total sales proceeds however remained relatively stable at approximately 17.3% during the Period (2017: 17.1%).

Administrative Expenses

The Group's general administrative expenses increased by 35.6% year on year to approximately RMB70.2 million for the Period under review from RMB51.8 million for the same period of 2017. The increase was mainly attributable to the reallocation of staff costs from selling and distribution expenses mentioned above and higher repair and maintenance expenses.

Staff Costs

Staff costs (excluding directors' emoluments) increased by 2.9% year on year to approximately RMB86.7 million during the Period. The Group's total number of full-time staff as at 30 June 2018 was 1,338, compared with 1,371 as at 31 December 2017.

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 decrease was mainly attributable to lower credit card recharge income, coupled with the provision made for closure of the Group's restaurant business in the PRC. The decrease was partly offset by lower exchange loss of RMB8.8 million (2017: RMB17.6 million) recognized on the Group's bank balances, which are denominated in United States dollars and Hong Kong dollars before most of these bank balances were applied to fund the repurchase of shares of the Company during the Period.

Interest and Investment Income

The amount mainly represents interest received from the Group's bank deposits, realized fair value gain and investment income on the Group's financial investments. The higher overall investment income was mainly attributable to higher investment income from financial assets at fair value through profit and loss.

Finance Costs

The Group's finance costs consisted mainly of interests incurred on bank borrowings. The aggregate amount of interests incurred during the Period, before capitalisation, was approximately RMB36.2 million (2017: RMB26.9 million). The increase comparing to the previous period was mainly due to increase in the total bank borrowings for funding capex of the Daning project. No finance costs has been charged to the profit and loss (2017: RMB3.0 million) as all the interests incurred were qualified for capitalisation purpose.

Liquidity and Financial Resources

The Group's EBITDA before share of results of associates and a joint venture, fair value change of financial investments, exchange gains or losses and other non-recurring items for the period decreased to RMB198.4 million from approximately RMB215.0 million the same period last year, mainly due to relatively higher level of expenses whereas sales and turnover from the Group's operations were relatively flat. As at 30 June 2018, 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 RMB1,083.7 million (31 December 2017: RMB 229.1 million). The higher net debt position at the Period end was a result of purchase of additional structured deposits, which are classified as financial assets rather than bank balances, and drawn down of additional bank loan for funding the construction of the Group's Daning project in Shanghai.

The Group's bank balances and cash amounted to about RMB782.0 million as at 30 June 2018 (31 December 2017: RMB1,280.8 million), of which RMB46.4 million, denominated in HK$, was kept in Hong Kong, with the remaining balance being kept in mainland China of which approximately 77.5% was denominated in Renminbi and the remaining 22.5% was in the United States dollars. The decrease in cash at banks as compared to end of last year was a result of the Group's purchase of additional structured deposits amounting to approximately RMB276.9 million which is classified as financial assets.

As at 30 June 2018, the Group's secured bank loans amounted to approximately RMB1,768.7 million (31 December 2017: RMB1,375.2 million), bearing interest calculated with reference to benchmark lending rates of the People's Bank of China. As at 30 June 2018, the Group had aggregate unutilised banking facilities in the amount equivalent to approximately RMB681.3 million (31 December 2017: RMB1,074.8 million). The Group's debt to equity ratio (defined as total bank borrowings divided by equity attributable to owners of the Company) was 19.9% (31 December 2017:15.2%) 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 relative 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 2018, certain of the Group's property, plant and equipment and prepaid lease payment in the PRC with aggregate carrying value of approximately RMB2,263.7 million (31 December 2017: RMB2,288 million) have been pledged to banks to secure loan facilities amounting to approximately RMB2,450.0 million (31 December 2017: RMB2,450.0 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2018.

Material Acquisitions and Disposals

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

Subsequent Event

On 31 July 2018, the Group entered into a sales and purchase agreement to dispose its 100% interest in Global Top Limited, an indirect wholly-owned subsidiary which operates a Japanese restaurant in Hong Kong, to a subsidiary of Lifestyle International Holding Limited for a consideration of HK$52 million. The disposal was completed on the same date.

Review of Operations

In addition to challenges posed by the macro headwinds, business of the Group continued during the Period to facing intense competition caused by the opening of new shopping malls and rising popularity of online/mobile shopping. To cope with the situation, the Group adopted a series of measures including reinforcing its positioning as a department store operator selling mid to high-end products and enhancing its tenant mix and enriching its product assortment. Notably, the stores offer products that meeting the needs of families. The Group also conducted themed marketing and promotional activities and leveraging on social media platform such as WeChat to attract footfall to its department stores and to increasing customer loyalty. As a result, the Group managed to record a turnover for the first half of 2018 at a similar level as that for the first half of 2017 despite the difficult operating environment and the relatively higher comparison base when China's retail market benefited from the resumed acceleration in the country's economic growth in the first half of 2017.

Shanghai Jiuguang

The Group's Shanghai Jiuguang recorded a year-on-year increase of 0.5% in sales proceeds for the first half of 2018 when compared to the same period last year. The average daily footfall decreased by 3% year on year to around 48,500 visitors due to opening of a new shopping mall nearby which drew away some consumers. The average ticket size however increased by 8.6% year on year to RMB437 with the stay-and-buy ratio decreased 1.6 percentage points to 38.4%. The average concessionaire rate collected by the store remained stable at approximately 23.4% (2017: 23.6%).

Suzhou Jiuguang

Positioned as a department store that meets the needs of an expanding middle class in a second-tier city such as Suzhou, Suzhou Jiuguang also strengthened its positioning by enriching its product assortment which was targeted at the market for mid to high-end goods. Average ticket size increased 8.6% year-on-year to RMB424 for the first half of 2018 despite suffering a 12% decrease in the average daily footfall to 19,700 visitors. The decline in the number of customer traffic was again caused by the opening of a new shopping mall in city center of Suzhou. Notwithstanding the difficult operating environment, Suzhou Jiuguang managed to record a year-on-year increase of 1.8% in sales revenue for the first half of 2018. The stay-and-buy ratio increased by 2.4 percentage points year on year to 42.6% and the average concessionaire rate collected by the store remained stable at approximately 19.0% (2017: 19.2%).

Dalian Jiuguang

Dalian Jiuguang ceased operation at the end of 2016 amid a persistently sluggish retail market. The Group was still collecting rental income from one retailer operating on one floor of the property on a leasing arrangement during the first half of 2018. This operation continued to suffering from negative cash flows.

Standalone Operation of Freshmart

Freshmart, which sells high-quality food and confectionary products as a standalone operation of the Group at rented premises in Changning, Shanghai, continued to face increasing competition in the neighboring area. By reducing the proportion of direct sales of merchandise and increasing the proportion of sales through concessionaire arrangements, the store managed to record during the first half of 2018 similar level of sales revenue as that in the first half of 2017. This operation suffered from negative cash flows during the Period due to increasing rental but stagnate sales revenue.

Interests in Associates

Beiren Group, a well-established Shijiazhuang-based retailer in which the Group maintains a strategic equity interest, recorded low single digit growth in sales revenue for the first half of 2018, with stable gross profit margin. Profit (after share of non-controlling interests) attributable to the Group decreased slightly by 1.6% year on year to RMB117.7 million but the share of profit from this investment remained critical to the Group as it accounted for 66.6% of the profit attributable to owners of the Company.

Restaurant Business

Aggregate sales revenue of the Group's restaurant business remained stable at approximately RMB35.8 million for the first half of 2018. The combined sales revenues of the "Wa San Mai" restaurants at Shanghai Jiuguang and Suzhou Jiuguang decreased by 9.4% year on year while sales revenue at the restaurant in Hong Kong increased by 8.4% year on year.

As operations of the "Wa San Mai" Japanese restaurants in Shanghai and Suzhou have been loss making, the Group has decided to close down these two restaurants at the end of July 2018. After the closing down of the two restaurants, the "Wa San Mai" Japanese restaurant in Hong Kong ("HK Restaurant"), being the only business of the Group in Hong Kong, would no longer has any synergy or connection to the other businesses of the Group which are in mainland China. As such, the Group decided to dispose of the business of the HK Restaurant as mentioned above under the "Subsequent Event" section of this announcement. Accordingly, operation of the Group's restaurant business has thereby ceased with effect from the close of business on 31 July 2018.

Business Expansion-Daning Development

The construction of the Group's retail and commercial complex in Daning, Jingan District, Shanghai is targeted to be completed around the end of 2019. 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, at completion, is expected to boost the Group's business presence and further enhance its brand equity in Shanghai.

Outlook and Plan

The escalating Sino-US trade war will probably hinder China's economic growth, and the effect could spill over into the country's retail market.

Apart from the challenges posed by the macro environment, the Group will also have to cope with the increasing competition brought about by the opening of new shopping space in the cities where the Group operates its Jiuguang department stores. To enhance its competitiveness, the Group plans to implement a retail management system that will enable collection of data about customers' consumption pattern and preferences so that it will be able to making changes to its product assortment and carrying out more precise and targeted marketing and promotional activities, with an aim to enhancing customer loyalty, especially to deepen the engagement with existing VIP customers.

In view of the challenges ahead, management is cautious about the development of the retailing market in mainland China. However, the Group will continue to roll out different measures with an aim to boosting the Group's sales revenue and generating better returns to shareholders.

The Group remains open to opportunities for investment that can lead to sustainable growth.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (2017: nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30 June 2018, the Company repurchased a total of 118,490,500 shares of the Company share on the Stock Exchange for enhancing the net asset value and earnings per share of the Company. All the repurchased shares had been cancelled. Details of the share repurchases are as follows:

Month	Number of shares repurchased	Price paid per share Highest	Price paid per share Lowest	Aggregate consideration (excluding expenses)
		(HK$)	(HK$)	(HK$)
April 2018	28,494,500	3.09	2.20	77,407,689.70
May 2018	60,287,500	3.99	3.38	224,387,219.55
June 2018	29,708,500	3.89	3.37	111,482,814.80
	118,490,500			413,277,724.05

Save as disclosed above, 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 2018.

EMPLOYEES

As at 30 June 2018, the Group employed a total of 1,338 employees, with 1,277 stationed in mainland China and 61 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to RMB86.7 million (2017: RMB84.2 million) for the six months ended 30 June 2018. 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.

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 2018, 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.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2018 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, 13 August 2018

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.