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 2016

HIGHLIGHTS

- Completion of the spin-off from Lifestyle International Holdings Limited (stock code: 1212) and listed on the Main Board of The Stock Exchange of Hong Kong Limited since 15 July 2016
- Turnover amounted to HK$650.8 million, a decrease of 9.6 %
- Profit attributable to owners of the Company decreased by 6.0% to HK$157.4 million*
- Earnings per share amounted to HK$0.098, a decrease of 6.7%
- No dividend has been declared by the board of directors

**The amount was after deducting the one-off costs of approximately HK$24.3 million associating with the spin-off and separate listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. Profit attributable to owners of the Company would have been 8.5% up from HK$167.5 million in last year if this one-off costs were excluded.*

INTERIM RESULTS

The board of directors ("Board") of Lifestyle China Group Limited ("Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2016, together with comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**650,796**	719,675
Cost of sales	*4*	**(179,995)**	(191,475)
Gross profit		**470,801**	528,200
Other income, gains and losses		**56,175**	64,551
Selling and distribution costs		**(323,539)**	(359,354)
Administrative expenses		**(59,374)**	(81,512)
Investment income	*5*	**28,437**	35,419
Share of profit of a joint venture		**19,372**	20,122
Share of profits of associates		**200,759**	175,555
Listing expenses		**(24,291)**	-
Finance costs	*6*	**(8,141)**	(15,373)
Profit before taxation		**360,199**	367,608
Taxation	*7*	**(70,435)**	(75,722)
Profit for the period	*8*	**289,764**	291,886
Other comprehensive (expense) income			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**(11,997)**	2,120
Share of exchange differences of associates		**(32,638)**	5,274
Share of exchange difference of a joint venture		**(3,638)**	687
Other comprehensive (expense) income for the period		**(48,273)**	8,081
Items that may not be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of functional currency to presentation currency		**(83,896)**	15,095
Other comprehensive (expense) income for the period		**(132,169)**	23,176
Total comprehensive income for the period		**157,595**	315,062
Profit for the period attributable to:			
Owners of the Company		**157,418**	167,511
Non-controlling interests		**132,346**	124,375
		289,764	291,886
Total comprehensive income attributable to:			
Owners of the Company		**41,392**	188,018
Non-controlling interests		**116,203**	127,044
		157,595	315,062
Earnings per share:			
Basic		**HK$0.098**	HK$0.105

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2016

	NOTES	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,106,104**	3,934,012
Prepaid lease payments		**2,779,987**	2,855,712
Interests in associates		**3,368,099**	3,199,978
Interest in a joint venture		**472,014**	456,280
Properties under development	11	**793,252**	778,716
Deferred tax assets		**439**	360
		11,519,895	11,225,058
Current assets			
Inventories		**37,964**	38,090
Prepaid lease payments		**77,840**	80,204
Trade and other receivables	*12*	**161,221**	159,211
Amount due from a joint venture		**34,920**	35,400
Amounts due from fellow subsidiaries		**38**	62
Bank balances and cash		**2,062,996**	2,291,965
		2,374, 979	2,604,932
Current liabilities			
Trade and other payables	*13*	**999,221**	1,117,692
Amount due to a joint venture		**18,905**	40,101
Amounts due to fellow subsidiaries	*14*	**8,137,923**	8,198,280
Tax payable		**27,773**	44,361
Bank borrowings – due within one year		**122,969**	152,980
		9,306,791	9,553,414
Net current liabilities		**(6,931,812)**	(6,948,482)
Total assets less current liabilities		**4,588,083**	4,276,576

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE 2016

	NOTE	30 June 2016 HK$'000 (Unaudited)	31 December 2015 HK$'000 (Audited)
Non-current liabilities			
Bank borrowings – due after one year		**1,034,520**	888,594
Deferred tax liabilities		**33,632**	23,922
Amount due to a non-controlling shareholder of subsidiaries		**128,826**	130,550
		1,196,978	1,043,066
		3,391,105	3,233,510
Capital and reserves			
Share capital	*15*	**-**	-
Reserves		**1,955,191**	1,913,799
Equity attributable to owners of the Company		**1,955,191**	1,913,799
Non-controlling interests		**1,435,914**	1,319,711
		3,391,105	3,233,510

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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").

The Company was a wholly owned subsidiary of Lifestyle International Holdings Limited ("Lifestyle International"), an exempted company incorporated in the Cayman Islands with limited liability, and whose shares are listed on the Main Board of the Stock Exchange. In preparation for the listing of the Company's shares on the Stock Exchange and pursuant to the Reorganisation as set out in the section headed "Reorganisation" to the Company's listing document dated 30 June 2016 ("Listing Document"), the Company since 23 June 2016 has become the holding company of the companies now comprising the Group. The Company's shares have been listed on the Stock Exchange since 15 July 2016 ("Listing"). The companies now comprising the Group were entities under Lifestyle International and under the common ownership and control of the same shareholders of Lifestyle International before and after the Reorganisation. As a result, the Reorganisation is regarded as a reorganisation under common control for the purpose of preparation of the condensed consolidated financial statements for the six months ended 30 June 2016.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group and the condensed consolidated statement of financial position have been prepared by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" as if the current group structure had been in existence since 1 January 2015, or since the respective dates of incorporation or establishment of the relevant entities, or up to the respective dates of dissolution where this is a shorter period.

The Group had current liabilities which exceed its current assets of HK$ 6,931.8 million as at 30 June 2016. Included in current liabilities are amounts due to fellow subsidiaries, all being subsidiaries of Lifestyle International, amounted to HK$ 8,137.9 million. Except for the amounts of HK$ 10.2 million as at 30 June 2016 that were settled in cash subsequent to the period end, the remaining balance of HK$ 8,127.7 million were settled by way of issue of shares of the Company to Lifestyle International prior to the Listing. Based on the above, the management of the Group considers the Group does not have any significant liquidity risk and it will be able to meet its financial obligations as they fall due in the foreseeable future.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and method of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are consistent with those followed in the preparation of the underlying financial statements of the companies comprising the Group for the three years ended 31 December 2015 underlying the preparation of financial information in the Accountants' Report in Appendix 1 of the Listing Document.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are effective during the current period:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in the condensed consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Sales of goods – direct sales	**221,211**	234,358
Income from concessionaire sales	**360,760**	399,866
Service income	**20,732**	29,208
Rental income	**48,093**	56,243
	650,796	719,675

4. COST OF SALES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
The cost of sales are analysed as follows:		
Cost of goods sold – direct sales	**146,100**	154,591
Other cost of sales	**33,895**	36,884
	179,995	191,475

5. INVESTMENT INCOME

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interest income on bank deposits	**26,903**	33,375
Other interest income	**1,534**	2,044
	28,437	35,419

6. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Interests on:		
Bank borrowings	**28,588**	36,493
Amounts due to fellow subsidiaries	**77,356**	80,228
Others	**-**	359
	105,944	117,080
Less: Amount capitalised as construction in progress and properties under development	**(97,803)**	(101,707)
	8,141	15,373

7. TAXATION

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**1,301**	1,281
PRC Enterprise Income Tax	**59,503**	62,078
	60,804	63,359
Deferred tax	**9,631**	12,363
	70,435	75,722

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 June 2015: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30 June 2015: 25%) on the estimated assessable profit for the period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation	**70,379**	73,146
Release of prepaid lease payments	**38,453**	50,366
Less: Amount capitalised as construction in progress and properties under development	**(28,275)**	(39,672)
	10,178	10,694

9. DIVIDEND

No dividend was paid or proposed by the Company since its incorporation.

No dividend has been paid or declared by the Group for the six months ended 30 June 2016.

During the six months ended 30 June 2015, a subsidiary of the Group, Global Top Limited, paid a dividend of HK$7,300,000 to Vision Pilot Group Limited, the then immediate holding company of Global Top Limited. Dividend per share is not presented as its inclusion is not considered meaningful for the preparation of the condensed consolidated financial statements of the Group.

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data on the assumption that the Group had been in existence throughout both interim periods:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**157,418**	167,511

	30 June 2016	30 June 2015
	'000	*'000*
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share (note)	**1,602,587**	1,602,587

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

Note:

The number of ordinary shares for the purpose of basic earnings per share is based on 1,602,586,500 shares in issue immediately prior to the Listing on 15 July 2016.

11. PROPERTIES UNDER DEVELOPMENT

	HK$'000
At 1 January 2016	778,716
Additions	23,886
Exchange adjustments	(9,350)
At 30 June 2016	793,252

The amount comprised prepaid lease payments, construction costs and other costs directly attributable to the construction and development of two office towers of the Group's commercial complex development project in Shanghai, PRC. Management intends to sell these two office towers in part or in whole when the sale permit is granted by PRC authorities.

12. TRADE AND OTHER RECEIVABLES

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
Trade receivables	**23,225**	42,694
Prepayments	**2,259**	2,974
Deposit paid	**2,100**	1,961
Value added tax ("VAT") receivable	**51,592**	65,776
Others	**82,045**	45,806
	161,221	159,211

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

	30 June 2016 *HK$'000*	31 December 2015 *HK$'000*
0 – 30 days	**18,958**	38,196
31 – 60 days	**1,892**	1,507
61 – 90 days	**864**	668
Over 90 days	**1,511**	2,323
	23,225	42,694

13. TRADE AND OTHER PAYABLES

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
Trade payables	**46,453**	43,007
Construction payables	**219,852**	243,082
Concessionaire sales payables	**423,917**	517,203
Deferred income	**117,231**	120,407
Rental deposits received	**52,763**	51,905
Accrued expenses	**45,445**	53,816
VAT payable	**11,615**	11,784
Interest payables	**1,203**	1,155
Others	**80,742**	75,333
	999,221	1,117,692

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

	30 June 2016	31 December 2015
	HK$'000	*HK$'000*
0 – 30 days	**35,750**	32,582
31 – 60 days	**2,607**	3,333
61 – 90 days	**1,036**	1,877
Over 90 days	**7,060**	5,215
	46,453	43,007

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

14. AMOUNT DUE TO FELLOW SUBSIDIARIES

As part of the Reorganisation, except for the trade balance of approximately HK$10.2 million as at 30 June 2016 that were settled in cash subsequent to the period end, the remaining outstanding balance of amounts due to fellow subsidiaries, which are non-trade in nature, were settled by way of issue of shares of the Company to Lifestyle International prior to the listing of the shares of the Company on the Stock Exchange as detailed in note 16.

15. SHARE CAPITAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law in the Cayman Islands on 4 January 2016. Pursuant to the Reorganisation, the Company has become the holding company of Excellent Global Limited and Majestic Eagle Limited on 23 June 2016. Further details of the changes in the Company's share capital are set out in the section headed "Reorganisation" in the Listing Document.

The share capital of the Company immediately following completion of the Listing is set out in the table below:

Authorised:		HK$
4,000,000,000	shares of HK$0.005 each as at 30 June 2016	20,000,000.00
Issued and to be issued, fully paid or credited as fully paid:		
60	shares of HK$0.005 in issue as at 30 June 2016	0.30
1,602,586,440	shares to be issued under the Capitalisation Issue on 11 July 2016	8,012,932.20
1,602,586,500		8,012,932.50

16. EVENT AFTER END OF REPORTING PERIOD

As part of the Reorganisation as set out in section headed "Reorganisation" in the Listing Document, prior to the Listing, a total of 1,602,586,440 new shares, all credited as fully paid, has been allotted and issued to Lifestyle International by way of capitalisation of the amount (being approximately, HK$8,127.7 million as at Distribution Record Date as defined in the Listing Document) due from the Company to Lifestyle International (note 14), which increased the equity attributable to owners of the Company accordingly.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Market Overview

During the period under review, China saw growth in its gross domestic product decline to 6.7% in the second quarter of 2016 from 6.9% for the full year in 2015. Despite the lingering weak consumer sentiment from around the world, retail sales of consumer goods in China accelerated by 10.6% year on year.

Financial Review

Turnover and Sales Proceeds
For the period under review, the Group's turnover decreased by 9.6% to HK$650.8 million from HK$719.7 million in the same period last year. Net sales proceeds declined 11.7% to HK$1,762.5 million, a result of sales drop at all of the Group's stores coupled by the closure of the Shenyang store in December 2015 which did not contribute any sales for the period.

Gross Profit and Gross Margin
Gross profit margin as a percentage of net sales proceeds remained stable at approximately 26.7% for the first half of 2016, compared with 26.5% for the same period in 2015. Gross profit amounted to HK$470.8 million, down 10.9% from HK$528.2 million in the same period in 2015. Gross profit margin as a percentage of turnover slid from 73.4 % to 72.3%.

Net Profit attributable to Shareholders
Net profit attributable to owners of the Company for the period saw a decline of 6.0% from HK$167.5 million in 2015 to HK$157.4 million, primarily due to the one-off costs incurred for the Company's spin-off and separate listing on the Stock Exchange during the period. If this one-off costs were excluded, the Group would have reported a profit increase of 8.5%. Other than the impact of this one-off expense, the aggregate profit contributed by the Group's department stores saw a small decline due to drop in sales revenue amid difficult operating environment, but was slightly eased by the savings from closure of the loss making Shenyang store. The Group's net profit margin as a percentage of turnover rose from 23.3% to 24.2%.

Other Income, Gains and Losses
These comprise mainly of management fee, credit card charges and other miscellaneous incomes received from the counters/tenants, other sundry incomes and exchange gain. The decrease for the review period was mainly due to absence of management fee and credit card charges income from Shenyang Jiuguang store following the store closure last December.

Selling and Distribution Costs
Aggregate selling and distribution costs of the Group decreased 10.0% to HK$323.5 million from HK$359.4 million in 2015, mainly a result of savings from the closure of the Shenyang store since December 2015, as well as effect of the Group's costs control measures. The Group's aggregate selling and distribution expenses as a percentage of total sales proceeds remained stable at approximately 18.4%.

Administrative Expenses
The Group's general administrative expenses decreased 27.2% to approximately HK$59.4 million, as compared to HK$81.5 million recorded in the same period in 2015, mainly a result of savings from the closure of the Shenyang store since December 2015, as well as effect of the Group's costs control measures.

Investment Income
Investment income mainly represents interest received from the Group's bank deposits. The decrease by 19.7% to HK$28.4 million for the period under review was mainly a result of lower deposit rates and lower average bank balance during the period as compared to the same period last year.

Listing Expenses
Listing expenses of approximately HK$24.3 million represented professional fees and expenses incurred in connection with the spin-off and listing of the shares of the Company on the Stock Exchange.

Finance Costs
The Group's finance cost consisted mainly of interests incurred on bank loans and borrowings from fellow subsidiaries. The aggregate amount of interests incurred, before capitalization, was approximately HK$105.9 million (2015: HK$117.1 million) for the period under review and the decrease compared to last year was mainly due to lower interest rate during current period and repayment of certain bank loans which carried higher interest rate. Accordingly, the finance costs charged to the profit and loss account decreased to approximately HK$8.1 million from HK$15.4 million in 2015.

Liquidity and Financial Resources
The Group's EBITDA before share of results of associates and a joint venture and other non-recurring item for the period under review was down from HK$235.7 million in 2015 to around HK$220.3 million, mainly due to deterioration of the operations of the Dalian store and the Shanghai Freshmart supermarket, but was helped by savings from closure of the loss making and negative cash-generating Shenyang store. As at 30 June 2016, the Group's net cash (defined as cash and bank balances less total bank borrowings, amount due to a non-controlling shareholder of subsidiaries and amount due to a joint venture) decreased from approximately HK$1,079.7 million at 31 December 2015 to HK$757.8 million, due primarily to the payment of capital expenditure for the Group's commercial complex development project in Shanghai, PRC.

The Group's cash at banks amounted to about HK$2,063.0 million (31 December 2015: HK$2,292.0 million) as at 30 June 2016, of which HK$16.9 million, denominated in HK dollar, was kept in Hong Kong, with the balance being kept in mainland China, of which approximately 8.8% was denominated in USD and approximately 91.2% was in RMB.

As at 30 June 2016, the Group's secured bank loans amounted to approximately RMB994.4 million (equivalent to HK$1,157.5 million) (31 December 2015: RMB882.7 million (equivalent to HK$1,041.6 million), bearing interest calculated with reference to the PBOC lending rates. As at the period end, approximately RMB1,669.6 million (equivalent to HK$1,943.4 million) of banking facility was still available to the Group.

Foreign Exchange Management
The functional currency of the Company and its subsidiaries operating in the PRC is RMB in which most of the Group's transactions are denominated whereas the Group's reporting currency is HK dollar.

As described under the "Liquidity and Financial Resources" section above, only a small portion of the Group's monetary assets and liabilities are denominated in foreign currencies (HK dollar and USD) other than RMB. Given the fact that majority of the Group's revenue and expenses as well as borrowings and capital expenditures are denominated in RMB, 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 potential significant foreign currency risks should the need arises.

Pledge of Assets
As at 30 June 2016, certain of the Group's property, plant and equipment in the PRC with carrying values of approximately HK$7,218.6 million (31 December 2015 HK$7,068.8 million) have been pledged to secure loan facilities amounting to approximately RMB2,664 million (equivalent to HK$3,101.1 million) (31 December 2015: RMB2,736.3 million).

Contingent Liabilities
The Group did not have any material contingent liabilities as at 30 June 2016.

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

Review of Operations

For the first half of 2016, performance of the Group's department store operations were largely in line with management's expectation and were generally affected by the slowing economy, increasing competition and weak consumer sentiment Indeed, the market started to see diverging performance among different operators and retailers across different parts of China and it appeared that good operators in higher tier cities with larger middle and upper class population tend to perform better. Thanks to the dedication of our management team, we believe both our Shanghai and Suzhou store remained one of the most preferred shopping destinations in the cities they operate.

Shanghai Jiuguang
Amid weak market sentiment and interruption caused by the renovation work at the store, Shanghai Jiuguang struggled against the backdrop of slower retail environment and a relatively high base set for the same period last year, sales revenue saw a slight decline of 1.2% compared to the same period last year. While sales of jewelry and accessories were under pressure, sales of cosmetics and skin care products remained the most resilient and saw double digit growth during the period. Traffic footfall declined 2.4% and stay and buy ratio fell one percentage point when compared to last year, with average ticket size increased 2.4% to RMB381. Notwithstanding a challenging operating environment, the average concessionaire rate collected by the store continued to edge up mildly to 24.0 %. The main purpose of the renovation work currently being carried out is to give a face-lift to the store premise and hence works are mainly for the exterior of the store building.

Suzhou Jiuguang
Faced with weakening local consumption and increasing competition from other retailers in the area, Suzhou Jiuguang reported 4.2% decline in sales revenue during the period under review. Traffic footfall was down 9.0% while the stay-and-buy ratio edged up slightly to 38.6%. Average ticket was RMB378, up from RMB368 same period last year. In light of the increasing competition in the local market, management will continue to monitor the market closely and to devise sound and sensible marketing and business strategies to respond promptly to development in the market, as well as to maintain loyal clientele that the store has encompassed over time.

Dalian Jiuguang
Dalian Jiuguang in Northeast China continued to be affected by the sluggish market conditions in the area and recorded a 48.8% decline in sales revenue. Operating in the Northeastern part of China where the regional economy has been particularly weak and gloomy, the Dalian store has been suffering from falling traffic footfall which has led to departure of certain brands and suppliers in recent months. In view of such situation, management is working to realigning the product range and tenant mix with an aim to widen the appeal of the store.

Shenyang Jiuguang
The Group's loss making Shenyang Jiuguang ceased operation in December 2015 and this self-owned store premise has remained vacant since. Management is working to reposition this retail premise but in view of the over-supply situation of retailing area in the local market, it may take a while before a decision could be made.

Standalone Freshmart Operation
Performance of the Group's standalone "Freshmart" store located in Changning, Shanghai was also affected by stalled demand in the period under review, with sales revenue slid 26.9% which was mainly a result of falling traffic footfall and lower stay and buy ratio.

Interest in Associates
Beiren Group, an established Shijiazhuang-based retailer in which the Group has strategic investment, continued to deliver stable results despite slackening demand in the highly competitive local market. For the first six months of the year, the investment contributed about HK$120.8 million in profit (excluding profit attributable to non-controlling interest) to the Group, as compared with HK$105.2 million in the same period last year, accounting for 76.7 % of the Group's profit attributable to owners of the Company. The increase in share of profit for the period was mainly a result of a lower level of repair and maintenance costs being incurred during the period as compared to the same period last year.

Beiren Group recorded an overall single digit positive revenue growth during the period. While sales of department store merchandises saw a low single digit decline as compared with last year, supermarket sales remained solid with a low single digit positive growth. The luxury segment did particularly badly, with jewelry and accessories saw double digit decline year on year. Thanks to the excellent performance of its back-to-back auto trading business, which recorded double digit growth during the period and was able to help lift up the overall sales growth of the Beiren Group.

Both the gross and net profit margin remained largely stable.

Restaurant business
Aggregate sales revenue of the Group's restaurant business declined 10.2%, which was mainly caused by drop in sales revenue of the Wa San Mai restaurants at both Shanghai Jiuguang and Suzhou whereas business of the restaurant in Hong Kong remained solid. Profit from restaurant business amounted to HK$2.7 million for the period, a 55.7 % decline from last year, again due to the losses sustained by the restaurants in Shanghai and Suzhou that ate up profit of the Hong Kong restaurant.

Completion of the Spin-off exercise
Following completion of all the reorganization steps, which are more fully described in the Listing Documents of the Company dated 30 June 2016, the Group has been spun-off from and ceased to be a subsidiary of Lifestyle International. On 15 July 2016 ("Listing Date"), shares of the Company started to trade on the Stock Exchange.

OUTLOOK AND PLAN

While the near-term outlook for a rebound in growth of the retail sector is still not too promising, continuous expansion of China's middle and upper class population should continue to support consumption of discretionary items. As a reputable retailer, Lifestyle China has established a strong foothold in Suzhou and Shanghai and nurtured a loyal clientele. Therefore, the Group is confident about achieving revenue growth for its existing store and steady expansion of its business in the long run.

To enhance business performance of its department store operations, the Group will continue to fine-tune the brand and product portfolios in all its stores. Innovative promotion measures will be rolled out to strengthen customer loyalty and boost store traffic.

With the Group's strong brand equity and seasoned management team, the Group maintains its open stance to new strategic investment opportunities, and looks forward to generating better returns for shareholders through its existing operations.

EMPLOYEES

As at 30 June 2016, the Group employed a total of 1,505 employees, with 1,440 stationed in the mainland China and 65 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to HK$92.1 million (2015: HK$102.2 million) for the six months ended 30 June 2016. The Group ensures that the pay levels of its employees are competitive and in line with the market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company since the Listing Date and up to the date of this announcement.

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 since the Listing Date and up to the date of this announcement, except the following deviation:

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

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2016 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

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

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

Hong Kong, 15 August 2016

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.