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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHTS

- Turnover amounted to RMB1,222.8 million, an increase of 8.0 %
- Profit attributable to owners of the Company decreased 3.0% to RMB269.6 million
- Earnings per share amounted to RMB0.168, a decrease of 3.0%
- No dividend has been declared by the board of directors

FINAL RESULTS

The board of directors ("Board") of Lifestyle China Group Limited ("Company") is pleased to announce the audited consolidated results for the year ended 31 December 2017 of the Company and its subsidiaries (collectively, "Group"), together with comparative figures for the previous year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (restated)
Turnover	3	**1,222,785**	1,132,287
Cost of sales	3	**(357,409)**	(311,279)
Gross profit		**865,376**	821,008
Other income, gains and losses		**75,480**	114,424
Selling and distribution costs		**(576,606)**	(558,049)
Administrative expenses		**(99,564)**	(115,633)
Interest and investment income	4	**52,806**	44,162
Share of profit of a joint venture		**37,451**	34,224
Share of profits of associates		**289,272**	314,338
Listing expenses		**-**	(19,145)
Finance costs	5	**(3,344)**	(11,649)
Profit before taxation		**640,871**	623,680
Taxation	6	**(156,345)**	(125,905)
Profit for the year	7	**484,526**	497,775
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operation		**(4,129)**	(18,967)
Total comprehensive income for the year		**480,397**	478,808
Profit for the year attributable to:			
Owners of the Company		**269,590**	278,038
Non-controlling interests		**214,936**	219,737
		484,526	497,775
Total comprehensive income attributable to:			
Owners of the Company		**265,461**	259,071
Non-controlling interests		**214,936**	219,737
		480,397	478,808
Earnings per share:			
- Basic	9	**RMB0.168**	RMB0.173

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	Notes	2017 RMB'000	2016 RMB'000 (restated)
Non-current assets			
Property, plant and equipment		**3,796,539**	3,493,750
Prepaid lease payments		**2,290,740**	2,356,515
Interests in associates		**3,069,343**	2,889,406
Interest in a joint venture		**391,247**	390,233
Properties under development		**924,368**	783,126
Deferred tax assets		**378**	408
Other receivables	*10*	**127,684**	-
		10,600,299	9,913,438
Current assets			
Inventories		**42,555**	35,565
Prepaid lease payments		**65,775**	65,775
Trade and other receivables	*10*	**172,836**	142,688
Dividend receivable from an associate		**2,465**	90,753
Amount due from a joint venture		**30,000**	30,026
Financial assets at fair value through profit or loss		**856,615**	75,980
Bank balances and cash		**1,280,755**	1,990,170
		2,451,001	2,430,957
Current liabilities			
Trade and other payables	*11*	**1,031,890**	991,064
Amount due to a joint venture		**44,836**	48,475
Tax payable		**56,905**	53,229
Bank borrowings – due within one year		**5,000**	141,646
		1,138,631	1,234,414
Net current assets		**1,312,370**	1,196,543
Total assets less current liabilities		**11,912,669**	11,109,981

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 31 DECEMBER 2017

	Notes	**2017** **RMB'000**	2016 *RMB'000* (restated)
Non-current liabilities			
Bank borrowings – due after one year		**1,370,202**	943,490
Deferred tax liabilities		**31,424**	21,500
Amount due to a non-controlling shareholder of subsidiaries		**89,795**	89,690
		1,491,421	1,054,680
		10,421,248	10,055,301
Capital and reserves			
Share capital	*12*	**6,884**	6,884
Reserves		**9,059,969**	8,794,508
Equity attributable to owners of the Company		**9,066,853**	8,801,392
Non-controlling interests		**1,354,395**	1,253,909
		10,421,248	10,055,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. BASIS OF PRESENTATION AND PREPARATION

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

In preparation for the listing of the Company's shares on Stock Exchange and pursuant to the reorganisation ("Reorganisation") as set out in the section headed "Reorganisation" to the Company's listing document dated 30 June 2016, the Company since 23 June 2016 has become the holding company of the companies now comprising the Group. The Company's shares were listed on the Stock Exchange on 15 July 2016.

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

2. APPLICATION OF NEW AND REVISED HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

Except for the amendments to HKAS 7, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue 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 year, and is analysed as follows:

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Sales of goods - direct sales	**439,427**	380,827
Income from concessionaire sales	**666,143**	631,437
Service income	**36,188**	37,387
Rental income	**81,027**	82,636
	1,222,785	1,132,287

The cost of sales are analysed as follows:

Cost of goods sold - direct sales	**297,969**	251,968
Other cost of sales	**59,440**	59,311
	357,409	311,279

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

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information

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 conform to HKFRSs, that are regularly reviewed by the chief operating decision maker ("CODM") (i.e. the 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 year of the Group as a whole to make decisions about resource allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly no separate segment information other than entity-wide information is presented.

Geographical Information

Analysis of the Group's revenue and non-current assets by geographical location are detailed below:

Revenue

	2017 *RMB'000*	2016 *RMB'000* (restated)
Hong Kong	**59,258**	58,120
People's Republic of China ("PRC")	**1,163,527**	1,074,167
	1,222,785	1,132,287

Non-current assets (note)

	2017 *RMB'000*	2016 *RMB'000* (restated)
Hong Kong	**1,165**	1,804
PRC	**7,138,166**	6,631,587
	7,139,331	6,633,391

Note: Non-current assets excluded interests in associates, interest in a joint venture and deferred tax assets.

4. INTEREST AND INVESTMENT INCOME

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Interest income on bank deposits	**18,653**	38,811
Net change in fair value of financial assets at fair value through profit or loss ("FVTPL")	**5,576**	(699)
Dividend income from financial assets at FVTPL	**1,645**	121
Investment income from financial assets at FVTPL	**22,676**	2,592
Other interest income	**4,256**	3,337
	52,806	44,162

5. FINANCE COSTS

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Interests on:		
Bank borrowings	**53,969**	48,677
Amounts due to fellow subsidiaries	**-**	66,457
	53,969	115,134
Less: Amount capitalised as construction in progress and properties under development	**(50,625)**	(103,485)
	3,344	11,649

The capitalised borrowing costs represent the borrowing costs incurred by a subsidiary on borrowings whose funds were specifically invested in the construction in progress and properties under development during the year.

6. TAXATION

	2017	2016
	RMB'000	*RMB'000*
		(restated)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**2,200**	2,207
PRC Enterprise Income Tax	**119,582**	101,625
Withholding tax	**24,615**	21,341
	146,397	125,173
Under (over) provision in prior years:		
Hong Kong Profits Tax	**(17)**	(17)
PRC Enterprise Income Tax	**40**	(119)
	23	(136)
Deferred tax charge	**9,925**	868
	156,345	125,905

Provision for Hong Kong Tax provided in the consolidated financial statements is calculated at 16.5% of the assessable profits during both years.

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%.

Under the EIT Law, withholding tax at the rate of 5% or 10% is imposed on dividends in respect of profits earned by PRC subsidiaries, associates and a joint venture and at the rate of 7% on interest income from PRC subsidiaries.

No provision for taxation in other jurisdictions has been made as the Group has no assessable taxable profits arising from operations outside Hong Kong and the PRC.

7. PROFIT FOR THE YEAR

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration		
Fees	**694**	356
Other emoluments	**6,259**	3,144
Bonus	**8,481**	6,014
Retirement benefits schemes contributions	**16**	8
	15,450	9,522
Other staff costs, excluding retirement benefits schemes contributions	**161,636**	159,985
Retirement benefits schemes contributions	**7,655**	7,588
	169,291	167,573
Total staff costs	**184,741**	177,095
Release of prepaid lease payments	**65,775**	65,775
Less : Amount capitalised in construction in progress	**(48,582)**	(48,582)
	17,193	17,193
Auditor's remuneration	**2,682**	2,869
Depreciation of property, plant and equipment	**114,024**	112,313
Impairment of other receivables	**11,130**	11,123
Write-off of obsolete inventories	**-**	52
Rental payment paid under operating lease in respect of leasehold land and buildings to		
- a joint venture	**160,874**	159,096
- other parties	**18,729**	18,836
Loss on disposal/write-off of property, plant and equipment	**484**	61
Cost of inventories recognised as expense	**297,969**	251,968

8. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2017 (2016: 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 data:

	2017	2016
	RMB'000	*RMB'000*
		(restated)
<u>Earnings</u>		
Profit for the year attributable to the owners of the Company for the purpose of basic earnings per share	**269,590**	278,038

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

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

Note: The weighted average number of ordinary shares for the year ended 31 December 2016 for the purpose of basic earnings per share has been taken into account the shares issued pursuant to the Reorganisation and the capitalisation issue of 1,602,586,440 ordinary shares of HK$0.005 each of the Company at par value on 11 July 2016 as if it had been effective on 1 January 2016.

10. TRADE AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Trade receivables	**56,242**	45,590
Prepayments	**1,989**	2,853
Deposits paid	**1,638**	1,872
Value added tax ("VAT") receivable	**83,168**	60,220
Loan receivables (note)	**127,684**	-
Others	**29,799**	32,153
	300,520	142,688
Less: Non-current portion (note)	**(127,684)**	-
	172,836	142,688

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

	2017	2016
	RMB'000	*RMB'000*
		(restated)
0 – 30 days	**53,944**	44,010
31 – 60 days	**998**	802
61 – 90 days	**611**	138
Over 90 days	**689**	640
	56,242	45,590

Note: The amount as at 31 December 2017 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 subscribe shares of Beiguo. The loans would be secured against the share interest in Beiguo held by the respective employees. The loans are for a period of three years from August 2017 and bear interest equivalent to the one-year RMB benchmark interest rate as quoted by the People's Bank of China.

11. TRADE AND OTHER PAYABLES

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Trade payables	**46,513**	55,286
Construction payables	**136,900**	108,500
Concessionaire sales payables	**499,156**	490,530
Deferred income	**122,631**	121,461
Rental deposits received	**56,241**	48,464
Accrued expenses	**41,368**	47,647
VAT payable	**43,742**	37,806
Interest payables	**1,853**	1,332
Others	**83,486**	80,038
	1,031,890	991,064

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

	2017	2016
	RMB'000	*RMB'000*
		(restated)
0 – 30 days	**38,867**	44,876
31 – 60 days	**1,603**	2,938
61 – 90 days	**1,393**	2,003
Over 90 days	**4,650**	5,469
	46,513	55,286

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

12. SHARE CAPITAL

Details of the changes in the Company's share capital during the period from 4 January 2016 (date of incorporation) to 31 December 2017 are as follows:

	Number of share	Amount HK$000
Authorised:		
At 4 January 2016 (date of incorporation) (HK$0.10 each)	3,800,000	380
Increase in authorised share capital by sub-dividing each of the issued and unissued existing shares of HK$0.10 into 20 new shares of HK$0.005 each	72,200,000	-
Increase in authorised share capital	3,924,000,000	19,620
At 31 December 2016 and 2017 (HK$0.005 each)	4,000,000,000	20,000
Issued and fully paid:		
At 4 January 2016 (date of incorporation) (HK$0.10 each)	1	-
Issue of shares	2	-
Share subdivision of HK$0.10 each being subdivided into 20 subdivided shares of HK$0.005 each	57	-
Issue of shares pursuant to the capitalisation issue	1,602,586,440	8,013
At 31 December 2016 and 2017 (HK$0.005 each)	1,602,586,500	8,013
		RMB'000
Shown in the financial statements in RMB		6,884

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

China's gross domestic product grew by 6.9% in 2017, reversing the decelerating trend during the period from 2010 to 2016. The revived economic growth momentum came as the government's supply-side reforms began to yield results and that the country's foreign trade saw a reversion of the declines in the previous two years. This had helped building up the consumer confidence which led to a steady pace of growth in the country's retail sales. In 2017, China's retail sales increased by 10.2% to about RMB36.62 trillion. The department stores sector recorded a 6.7% growth in retail sales while the supermarkets sector recorded a 7.3% rise in retail sales.

Lifestyle China Group Limited ("Lifestyle China" or the "Company", which together with its subsidiaries, is referred to as the "Group") is well-positioned to capitalize on the uptrends in the retail sector as it has been forging ahead with a series of effective business and management measures since its spin-off from Lifestyle International Holdings Limited and separately listed on the main board of the Hong Kong Stock Exchange on 15 July 2016. Apart from the status as a separately listed company that has made Lifestyle China more agile in making decisions and in adapting itself to changes in the market, the Company also stepped up its marketing and promotional efforts, enhanced the tenant mix and enriched the product assortment with the aim of increasing both the customer loyalty and footfall at its department stores.

Financial Review 2017

During the financial year under review, the Group rationalized its retail network by enhancing the department stores that performed well. Its core department store operations, namely Shanghai Jiuguang and Suzhou Jiuguang, recorded robust growth in sales revenues and in aggregrate accounted for 92% of the Group's turnover. Its other two department stores, Dalian Jiuguang and Shenyang Jiuguang, which were closed previously, remained closed during the year. The Group's strategic investment in Beiren Group, a leading retailer in Shijiazhuang, Hebei Province, continued to deliver stable results and contribute substantially to the profit attributable to owners of the Company in 2017.

Turnover and Sales Proceeds

For the year ended 31 December 2017, turnover of the Group increased by 8.0% to RMB1,222.8 million, meeting the management's expectations. The growth came as the Group's two major department stores, Shanghai Jiuguang and Suzhou Jiuguang, were able to capitalize on the recovery of China's economic growth and retail sales. The two department stores gave their one-stop service full play under the Jiuguang brand and continued during the year to enhance their product assortment and marketing strategies. In particular, the strong sales of cosmetics and apparels contributed to the turnover growth. Net sales proceeds increased by 7.5% to RMB3,321.5 million.

Gross Profit and Concessionaire Rates

Gross profit increased by 5.4% to RMB865.4 million in 2017 and the gross profit margin as a percentage of net sales proceeds was approximately 26.1%, compared with 26.6% in 2016. Gross profit margin as a percentage of turnover decreased to 70.8% from 72.5% due to higher growth in direct sales. Average concessionaire rate was stable at 22.3%, similar to that in 2016. The Group continued with its effective business strategies and the enhancement of its stores' brand and product assortments to boost the traffic footfall.

Net Profit Attributable to Shareholders

Notwithstanding there was a growth in sales and turnover, net profit attributable to the owners of the Company for the year 2017 decreased by 3.0% to RMB269.6 million. The unexpected decrease in profit was mainly attributable to an exchange loss of RMB36.6 million recorded this year on the Group's bank balance denominated in United State dollar and Hong Kong dollar amid appreciation of the RMB, whereas it was an exchange gain of RMB26.0 million in 2016 as the RMB was much weaker then.

Selling and Distribution Costs

Aggregate selling and distribution costs of the Group increased by 3.3% to RMB576.6 million from RMB558.0 million recorded in the year 2016, mainly as a result of the Group's move to step up its marketing and promotional efforts in view of the highly competitive operating environment. The Group's aggregate selling and distribution expenses as a percentage of total sales proceeds remained relatively stable at approximately 17.4%.

Administrative Expenses

The Group's general administrative expenses decreased by 13.9% to approximately RMB99.6 million, as compared to RMB115.6 million recorded in the year 2016. The decrease was mainly attributable to the decrease in consultancy fee as a subsidiary of Lifestyle International Holdings Limited has ceased charging the Group consultancy fee since the spin-off and separate listing of the Company's shares last year.

Staff Costs

Staff costs (excluding directors' emoluments) increased mildly to approximately RMB169.3 million during the year under review. While the Group's annual salary adjustment was largely in line with the market trend, the total number of full-time staff of the Group has decreased to 1,371 as compared to 1,379 in the year 2016.

Other Income, Gains and Losses

Other income, gains and losses comprise mainly management fee, credit card charges and other miscellaneous incomes received from the counters/tenants, other sundry incomes and exchange gain/loss. The decrease for the review period was mainly attributable to an exchange loss of RMB36.6 million being recorded as the Group's bank balances denominated in United States dollars and Hong Kong dollars depreciated against the RMB during the year.

Interest and investment Income

The amount mainly represents interest received from the Group's bank deposits, unrealized fair value gain and investment income on the Group's financial investment.

Finance Costs

The Group's finance cost consisted mainly of interests incurred on bank loans. The aggregate amount of interests incurred, before capitalization, was approximately RMB54.0 million (2016: RMB115.1 million) for the year under review. The decrease comparing to the previous year was mainly due to capitalization of the borrowings previously from fellow subsidiaries as part of the re-organisation leading to the spin-off and separate listing of the Company in July 2016. As such, there has been no more borrowings from fellow subsidiaries since then and hence a significant drop in interest incurred during the year. The finance costs charged to the profit and loss decreased to approximately RMB3.3 million from RMB11.6 million last year as the Group also paid down during the year certain bank loans which corresponding interest did not qualify for capitalisation purpose in the past.

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 year increased from RMB376.3 million in the year 2016 to approximately RMB427.5 million, mainly due to an increase in business turnover and operating cashflows. As at 31 December 2017, 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 RMB229.1 million, while it was net cash of RMB766.9 million in the previous year. The net debt position was a result of the Group's structured deposits of RMB785.5 million are being classified as investments rather than cash.

The Group's bank balances and cash amounted to about RMB1,280.8 million (31 December 2016: RMB1,990.2 million) as at 31 December 2017, of which RMB329.0 million, denominated in Hong Kong dollars, was kept in Hong Kong, with the balance being kept in mainland China of which approximately 83.8% was denominated in Renminbi and the remaining 16.2% was in United States dollars. The decrease in cash at banks as compared to last year was the Group's net purchase during the year of structured deposits of approximately RMB730.5 million which is included as financial investments. As at 31 December 2017, the Group's secured bank loans amounted to approximately RMB1,375.2 million (31 December 2016: RMB1,085.1 million), bearing interest calculated with reference to benchmark rates of the People's Bank of China. As at 31 December 2017, the Group had aggregate un-utilised banking facilities in the amount equivalent to approximately RMB1,074.8 million (31 December 2016: RMB1,501.5 million). The Group's debt to equity ratio (defined as bank borrowings divided by equity attributable to the owners of the Company) was 15.2% (31 December 2016: 12.3%) as at the year 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 of the Group's monetary assets and liabilities are denominated in foreign currencies (Hong Kong dollar and United States dollar) other than Renminbi and is subject to foreign currency changes depending on the strengthen of the RMB. 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 31 December 2017, certain of the Group's property, plant and equipment and prepaid lease payment in the PRC with carrying values of approximately RMB2,288 million (2016: RMB 4,665 million) have been pledged to secure loan facilities amounting to approximately RMB2,450.0 million (2016: RMB2,586.6 million).

Contingent Liabilities
The Group did not have any material contingent liabilities as at 31 December 2017.

Material Acquisitions and Disposals
There were no material acquisitions and disposals during the year.

Review of Operations

The divergent trend of the regional retail markets in China continued during the year and while some economically vibrant cities enjoyed recovery in retail sales during the year, some other cities were still mired in sluggish markets. Moreover, the e-commerce continued during the year to gathering steam, exerting ever greater influence on the country's retail consumption. The Group took measures by increasing its marketing and promotional efforts through digital mean with an aim to adapt to the fast changing operating environment.

Shanghai Jiuguang
After the revamp of Shanghai Jiuguang, it was well-positioned to capitalize on the recovery in China's retail consumption. The department store recorded a 7.5% growth in sales revenue in 2017, with sales of clothing, fashion and apparel and food items growing particularly strongly. The store's renovation was part of the Group's business measures to cope with the changes to the operating environment, including increasing competition from e-commerce and the change in requirements from the growing middle class and the younger generation of consumers. In addition to the store's enhanced layout, Shanghai Jiuguang also enriched its product assortment, increased its efforts to adopt the hybrid model of "merchandise direct sales and concessionaires' sales" and stepped up marketing and promotional efforts with the aim of enhancing the shopping experience. With the help of the department stores' varied marketing and promotional activities, sales for the New Year's Eve recorded new high in daily sales revenue on 31 December 2017. The continued endeavours paid off as they boosted the average daily footfall to around

50,900 visitors. Average ticket size increased 4.4% to RMB403, while the stay-buy ratio remained stable at 39.7%. The average concessionaire rate collected by the store remained stable at around 23.7% (2016: 23.9%).

Suzhou Jiuguang

A department store that aims to meet the needs of a burgeoning middle class in a second-tier city such as Suzhou, Suzhou Jiuguang also pressed on during the year with the Group's business measures to fully capitalize on the recovery in China's retail sector. In 2017, the department store recorded a 12.9% growth in sales revenue. In particular, sales of clothing, cosmetics and accessories were particularly strong, rising by 14.8%. On the back of its enhanced marketing and promotional efforts, the store's average daily footfall edged up 1.2% to around 22,800 visitors and the average ticket size increased by 8.6% to RMB400. Suzhou Jiuguang took the online-to-offline initiatives on a trial basis which did stoke up consumers' enthusiasm for spending and achieved record high daily sales revenue on the Singles' Day. Meanwhile, the stay-buy ratio rose by 1.5 percentage points to 39.2% whereas the average concessionaire rate collected by the store was 19.3%, compared with the 19.4% in the year 2016.

Dalian Jiuguang

Dalian Jiuguang ceased operation at the end of 2016 amid a persistently sluggish retail market. The Group was still collecting rents from a few retailers operating on the upper floors of the property on leasing arrangements during 2017. The Group is considering making changes to use of the property, with an aim to increasing its efficiency and returns.

Standalone Freshmart Operation

Freshmart, which sells high-quality food and confectionary products as a standalone operation of the Group in Changning, Shanghai, continued to face increasing competition in the neighboring area in the year under review, with sales revenue remained relatively stable.

Interest in Associates

Beiren Group, a well-established Shijiazhuang-based retailer in which the Group has a strategic equity interest, achieved single digit growth in sales revenue in 2017, with the gross profit margin remained stable for 2017. Profit (after share of non-controlling interests) attributable to the Group decreased 8.3% to RMB172.8 million in 2017 which was mainly caused by an impairment provision made against an account receivable which is non trade in nature. The net share of profit from this investment accounted for 64.1% of the Group's profit attributable to owners of the Company.

Restaurant Business

Aggregate sales revenue of the Group's restaurant business remained stable at approximately RMB74.2 million in 2017. The combined sales revenues of the Wa San Mai restaurants at the Shanghai Jiuguang and Suzhou Jiuguang decreased by 8.6% while sales revenue of the restaurant in Hong Kong increased 1.4%.

Business Expansion

Progress was made in terms of the construction works of the Group's retail and commercial complex in Daning, Jingan District, Shanghai. Scheduled to be completed in 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 is expected to boost the Group's market presence and further enhance its brand equity in Shanghai.

Outlook and Plan

While steady economic growth in China and resilient external demand are expected to support consumer confidence and spending in 2018, uncertainties over rising trade protectionism and volatility in the financial market could hinder the growth of the retail market.

Under a seasoned management which is alert to changes in the retail environment, Shanghai Jiuguang and Suzhou Jiuguang will remain the drivers of the Group's business growth in the meantime. The two department stores will build on their past achievements and maintaining their growth momentum. To cope with the increasingly competitive retail environment, the Group will continue to pursue its business measures, seeking to enhance consumers' shopping experience with better value-added services, enriched product assortment and enhanced marketing and promotional efforts at the department stores.

To gear up for the competition, which has been intensified by the growing e-commerce as well as new supply of retailing space, the Group will strengthen its ties with the concessionaires, develop or offer high-quality and attractive merchandise and enhance the mix of tenants who are owners of well-known or popular brands. We will continue to provide comprehensive value-added services of high standards for customers and to better meet the needs and cater to the tastes and preferences of the local customers. All these measures can accentuate the brick-and-mortar retail venue's advantage over e-commerce operators as the physical stores can offer immediate experience of both a lively shopping environment and a wide and varied selection of goods. This is also how the Group will try to expand its VIP customer base in order to generate more sales revenue and thus better returns to shareholders.

The Group remains open to new investment opportunities which would facilitate the long-term sustainable growth of the Group with an aim to generating better returns for shareholders in the longer run.

EMPLOYEES

As at 31 December 2017, the Group employed a total of 1,371 employees, with 1,301 stationed in mainland China and 70 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to RMB169.3 million (2016: RMB167.6 million) for the year ended 31 December 2017. The Group ensures that pay levels of its employees are competitive and in line with the market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2017, except the following deviation:

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

DIVIDEND

The Board has resolved not to declare any dividend for the year ended 31 December 2017 (2016: nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting to be held on Monday, 7 May 2018, the register of members of the Company will be closed from Wednesday, 2 May 2018 to Monday, 7 May 2018, both days inclusive. In order to qualify for the right to attend and vote at the annual general meeting, all transfers accompanied by the relevant share certificate(s) must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 30 April 2018.

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 Review Period.

REVIEW OF ANNUAL RESULTS

The Group's audited consolidated results for the year ended 31 December 2017 have been reviewed by the audit committee of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

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, 5 March 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.