LIFESTYLE INTERNATIONAL HOLDINGS LIMITED

利福國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1212)

FINAL RESULTS FOR YEAR 2007

HIGHLIGHTS

- Turnover surged 20.5% to HK$3,112.4 million on the back of record-breaking sales
- Net profit increased by 38.4% to HK$1,024.1 million
- Earnings per share posted strong growth of 37.8% to HK cents 60.22 per share
- Final dividend of HK cents 13.5 per share declared

FINAL RESULTS

The Board of Directors (the "Board") of Lifestyle International Holdings Limited (the "Company" or "Lifestyle International") is pleased to announce that the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2007 (the "Year") are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Notes	For the year ended 31st December, 2007 HK$'000	2006 HK$'000 (Restated)
Turnover	*3*	**3,112,368**	2,581,962
Cost of sales	*4*	**(1,377,795)**	(1,161,215)
Gross profit		**1,734,573**	1,420,747
Other operating income		**73,794**	43,385
Distribution costs		**(600,091)**	(587,859)
Administrative expenses		**(140,447)**	(111,787)
Investment income		**245,396**	159,158
Fair value changes on investment properties		**3,648**	7,648
Share of profit of a jointly controlled entity		**6,926**	6,768
Finance costs	*5*	**(81,846)**	(75,625)
Profit before taxation	*6*	**1,241,953**	862,435
Taxation	*7*	**(190,739)**	(124,265)
Profit for the year		**1,051,214**	738,170
Attributable to:			
Equity holders of the Company		**1,024,085**	740,170
Minority interests		**27,129**	(2,000)
		1,051,214	738,170
Dividends	*8*	**357,088**	275,275
Earnings per share			
- basic	*9*	**HK$0.6022**	HK$0.4369
- diluted	*9*	**HK$0.5982**	HK$0.4365

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2007

	Note	As at 31st December, 2007 HK$'000	2006 HK$'000
Non-current assets			
Investment properties		**19,620**	30,948
Property, plant and equipment		**2,727,584**	2,300,865
Deposit paid for prepaid lease payments		**1,085,016**	227,179
Interests in a jointly controlled entity		**468,938**	449,324
Deferred tax assets		**5,611**	10,139
Financial assets at fair value through profit or loss		**154,285**	311,703
Available-for-sale investments		**31,918**	102,903
Club debenture		**1,350**	-
Loan receivable	*10*	**467,718**	37,050
		4,962,040	3,470,111
Current assets			
Inventories		**60,309**	63,948
Trade and other receivables		**181,470**	148,714
Amount due from a jointly controlled entity		**46,046**	12,143
Financial assets at fair value through profit or loss		**36,531**	-
Loan receivables		**2,000**	-
Bank balances and cash		**3,598,388**	2,584,087
		3,924,744	2,808,892
Assets of disposal group classified as held for sale	*11*	**1,547,459**	-
		5,472,203	2,808,892
Current liabilities			
Trade and other payables		**1,411,958**	982,797
Tax payable		**94,137**	53,097
Obligations under finance leases - due within one year		**-**	10
Bank borrowings - due within one year		**406,810**	249,379
		1,912,905	1,285,283
Liabilities of disposal group classified as held for sale	*11*	**615,773**	-
		2,528,678	1,285,283
Net current assets		**2,943,525**	1,523,609
		7,905,565	4,993,720

	As at 31st December,	
	2007	2006
	HK$'000	*HK$'000*
Non-current liabilities		
Bank borrowings - due after one year	**2,600,000**	1,100,000
Deferred tax liabilities	**26,883**	34,811
Derivative instruments	**1,002**	-
Other payable	**60,000**	-
	2,687,885	1,134,811
	5,217,680	3,858,909
Capital and reserves		
Share capital	**8,525**	8,480
Reserves	**4,648,193**	3,845,500
Equity attributable to equity holders of the Company	**4,656,718**	3,853,980
Minority interests	**560,962**	4,929
	5,217,680	3,858,909

Notes to the Financial Statements

1. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS/BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with 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 (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRS"s), Hong Kong Accounting Standards ("HKAS"s) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are either effective for the Group's financial year beginning on 1 January 2007. The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - INT 8	Scope of HKFRS 2
HK(IFRIC) - INT 9	Reassessment of embedded derivatives
HK(IFRIC) - INT 10	Interim financial reporting and impairment

The Group has not early applied the following new and revised Standards and Interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) - INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC) - INT 12	Service concession arrangements[3]
HK(IFRIC) - INT 13	Customer loyalty programmes[4]
HK(IFRIC) - INT 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate that the application of the above Standards and Interpretations will have no material impact on the results and financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold by the Group to outside customers, less returns and allowance, income from concessionaire sales, services income and rental income during the year, and is analysed as follows:

	For the year ended 31st December, 2007 *HK$'000*	2006 *HK$'000*
Sales of goods - direct sales	**1,873,010**	1,559,895
Income from concessionaires	**1,120,580**	918,808
Rental income	**54,320**	46,954
Services income	**64,458**	56,305
	3,112,368	2,581,962

Geographical segments

The Group's operations are located in Hong Kong and Mainland of the People's Republic of China (the "PRC"). The location of the Group's operations are the basis on which the Group reports its primary segment information.

2007

Income statement

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated Total** *HK$'000*
Revenue			
External sales	2,690,101	422,267	3,112,368
Result			
Segment result	972,945	98,532	1,071,477
Investment income	242,991	2,405	245,396
Share of results of a jointly controlled entity	-	6,926	6,926
Finance costs			(81,846)
Profit before tax			1,241,953
Income tax expenses	(187,883)	(2,856)	(190,739)
Profit for the year			1,051,214

Balance sheet

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated Total** *HK$'000*
Assets			
Segment assets	5,353,352	3,866,493	9,219,845
Available-for-sale investments	31,918	-	31,918

Financial assets at fair value through profit or loss	190,816	-	190,816
Interest in a jointly controlled entity	-	468,938	468,938
Amount due from a jointly controlled entity	-	46,046	46,046
Loan Receivable	469,718	-	469,718
Unallocated corporate assets			6,962
Consolidated total assets			10,434,243
Liabilities			
Segment liabilities	785,807	1,301,923	2,087,730
Derivative instrument	1,002	-	1,002
Unallocated corporate liabilities			3,127,831
Consolidated total liabilities			5,216,563

2006

Income statement

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated total *HK$'000*
Revenue			
External sales	2,281,882	300,080	2,581,962
Result			
Segment result	766,286	5,848	772,134
Investment income	157,930	1,228	159,158
Share of results of a jointly controlled entity		6,768	6,768
Finance costs			(75,625)
Profit before tax			862,435
Income tax expenses	(124,265)		(124,265)
Profit for the year			738,170

Balance sheet

	Hong Kong *HK$'000*	PRC *HK$'000*	Consolidated Total *HK$'000*
Assets			
Segment assets	4,646,912	708,829	5,355,741
Available-for-sale investments	102,903	-	102,903
Financial assets at fair value through profit or loss	311,703	-	311,703
Interest in a jointly controlled entity		449,324	449,324
Amount due from a jointly controlled entity		12,143	12,143
Loan receivable	37,050		37,050
Unallocated corporate assets			10,139
Consolidated total assets			6,279,003

Liabilities			
Segment liabilities	694,574	288,233	982,807
Unallocated corporate liabilities			1,437,287
Consolidated total liabilities			2,420,094

4. COST OF SALES

	For the year ended 31st December,	
	2007	2006
	HK$'000	*HK$'000*
Cost of goods sold	**1,329,523**	1,112,437
Other cost of sales	**48,272**	48,778
	1,377,795	1,161,215

5. FINANCE COSTS

	For the year ended 31st December,	
	2007	2006
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings and overdrafts wholly repayable within five years	**88,404**	60,684
Finance leases	**2**	9
Others	**9,080**	14,932
	97,486	75,625
Less: Amount capitalised	**(15,640)**	-
	81,846	75,625

6. PROFIT BEFORE TAXATION

	For the year ended 31st December, 2007 HK$'000	2006 HK$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration:		
Fees	**850**	400
Other emoluments	**3,988**	3,485
Share-based payment	**10,249**	10,836
Retirement benefits scheme contributions	**12**	15
	15,099	14,736
Other staff costs	**194,096**	190,752
Retirement benefits scheme contributions, net of forfeited contributions	**7,698**	6,677
Share-based payment	**21,786**	8,364
Total staff costs	**238,679**	220,529
Auditors' remuneration	**2,583**	2,263
Depreciation		
- owned assets	**134,172**	132,494
- assets held under finance leases	**-**	73
	134,172	132,567
Write-down of obsolete inventories	**1,896**	1,262
Minimum lease payments paid under operating lease in respect of leasehold land and buildings to		
- a jointly controlled entity	**128,227**	121,847
- other parties	**50,582**	44,637
Loss on disposal of property, plant and equipment	**1,001**	395
Cost of inventories recognised as expense	**1,329,523**	1,112,437
Share of tax of a jointly controlled entity	**6,049**	6,199
and crediting:		
Net exchange gain	**1,512**	4,191
Reversal of allowance for bad and doubtful debts	**1,381**	5,109
Gross rental from investing properties (net of negligible outgoings)	**6,818**	1,004
Gross rental from sub-letting of commercial properties	**47,503**	45,950
Less: Direct operating expenses from commercial properties that generated rental income during the year	**(38,320)**	(35,300)
Net rental income	**16,001**	11,654

7. TAXATION

	For the year ended 31st December, 2007 *HK$'000*	2006 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax for the year	**181,823**	130,930
PRC Enterprise Income Tax	**2,856**	-
Underprovision (overprovision) in prior years: Hong Kong	**1,802**	(7,052)
Deferred tax charge for the year	**4,258**	387
	190,739	124,265

The charge represents provision for Hong Kong Profits Tax calculated at 17.5% (2006: 17.5%) of the estimated assessable profit for the year.

8. DIVIDENDS

An interim dividend of HK cents 10.5 (2006: HK cents 7.25) in cash per share was paid to the shareholders of the Company during the Year. Final dividend of HK cents 13.5 (2006: HK cents 10.5) in cash per share has been proposed by the Board and is subject to approval by the shareholders in forthcoming annual general meeting. Dividend per share has been restated to adjust for the effect of sub-division of shares (one into two) during the year ended 31st December, 2007.

9. EARNINGS PER SHARE

The calculating of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2007 *HK$'000*	2006 *HK$'000*
Earnings		
Profit for the year attributable to equity holders of the Company for the purposes of basic and diluted earnings per share	**1,024,085**	740,170
	'000	*'000* (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**1,700,439**	1,694,248
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**11,627**	1,438
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,712,066**	1,695,686

The earnings per share and the weighted average number of shares for 2006 have been restated to adjust for the effect of sub-division of shares (one into two) during the year ended 31st December, 2007.

10. LOAN RECEIVABLE

On 24 September 2007, the Group granted a bridging loan of HK$300 million for an initial term of four months (the "Bridging Loan") to EganaGoldpfeil (Holdings) Limited (" Egana" or together with its subsidiaries the "Egana Group") in connection with the Group's participation in the financial restructuring of the Egana Group. Egana is a Hong Kong listed company and the Egana Group owns and leases a portfolio of internationally renowned brands, most of them are particularly popular in Germany and German speaking countries in Europe, with over 80% of its existing retail and distribution business deriving from Europe. The Bridging Loan bears interest at 2% above the Hong Kong prime rate and is secured by a charge over all equity interests in a wholly-owned subsidiary of Egana that owns a brand, a charge over certain office premises of the Egana Group in Hong Kong and a charge over 434,345,736 shares of HK$1.00 each in the capital of Egana, representing approximately 29.67% of the issued share capital held by the major shareholder of Egana.

The Group's intended participation in the financial restructuring of the Egana Group is to pursue, as part of the Group's business strategy, the branded goods retail and distribution business through taking a controlling interest in Egana. With the provision by the Group of the Bridging Loan, there has not been significant disruption to the normal business operations of the Egana Group and according to its latest published financial statements, before any debt and business restructuring, the Egana Group had as at 30 November 2007, total assets amounting to approximately HK$4.3 billion, net deficit of approximately HK$1 billion and was indebted to a group of bank creditors (the "Bank Group") of approximately HK$3.6 billion.

Since the granting of the Bridging Loan, the Group has been participating in negotiations with the Bank Group on a financial restructuring of the indebtedness of the Egana Group (the "Proposed Restructuring"). According to the terms of the Proposed Restructuring that the Group has lately agreed in principal with the Bank Group, the Group has indicated its intention to injecting on the effective date of the Proposed Restructuring ("Effective Date") into Egana an aggregate of approximately HK$1.2 billion as new capital (by way of subscription of new shares of Egana and/or convertible bonds) that may result in the Group becoming the controlling shareholder of the Egana Group. Similarly, the Bank Group has agreed in principal on the Effective Date waiver of debts to reduce the indebtedness to approximately HK$2.0 billion. The proposed capital injection by the Group and waiver of debts by the Bank Group will improve significantly the financial position of the Egana Group from net deficit to net assets. As at the date of this report, the Group, the Bank Group and the Egana Group are working on the documentations of the Proposed Restructuring.

The directors are of the view that the Proposed Restructuring will proceed as planned, subject to any unforeseen material adverse changes and approvals of the relevant regulatory bodies and shareholders of both the Group and the Egana Group. To facilitate the smooth progress of the Proposed Restructuring, the maturity date of the Bridging Loan has been extended to 25 March 2008 and the Group is prepared, when necessary, to further extend the final maturity date of the Bridging Loan.

In addition to the satisfactory results from our operational, financial and legal due diligence reviews conducted on the Egana Group, the directors have also reviewed the profit and cash flow projections of the Egana Group for the coming two years and are satisfied with the viability of the business and that there is evidence of sufficient positive operating cash flows from the existing business of the Egana Group. As indicated above, upon the Proposed Restructuring becoming effective, additional capital will be injected by the Group as well as waiver of debts by the Bank Group, at which time the financial position of the Egana Group will be improved significantly to enable further business expansion and repayment of the Bridging Loan.

In view of the uncertainty as to the successful completion of the Proposed Restructuring, the auditors of the Group has issued a modified audit opinion by including an "Emphasis of Matters" paragraph in its audit report which is reproduced as follow:

"Without qualifying our opinion, we draw attention to note 23(b) to the financial statements which indicates that the Group has extended a bridging loan of HK$300 million ("Bridging Loan") to EganaGoldpfeil (Holdings) Limited ("Egana") (together with its subsidiaries the "Egana Group") during the year and which remains outstanding as at the date of this report. The Company has been participating in negotiations with the bank creditors of the Egana Group on the proposed financial restructuring of the indebtedness of the Egana Group (the "Proposed Restructuring") which may result in the Group becoming the controlling shareholder of the Egana Group. The Proposed Restructuring is subject to the approvals of the relevant regulatory bodies and shareholders of both the Group and the Egana Group. The Bridging Loan will be fully repaid upon the Proposed Restructuring becoming effective at which time it is proposed to be replaced with additional funding from the Group of approximately HK$1.2 billion. The ultimate recovery of the Bridging Loan and subsequent proposed investment depends on the long-term success of the Proposed Restructuring. No provision for impairment losses has been made in the financial statements"

11. DISPOSAL GROUP HELD FOR SALE

The Group acquired an effective 59.4% interest in a retail investment property through acquiring the equity interest in 河北北國開元廣場有限責任公司. To further develop its retail business in the Hebei Province where this investment property is situated, the Group is contemplating a possible partial disposal of its interest in this investment property for certain business cooperation opportunities with a third party. As at the date of this report, there is no legally binding agreement entered into by the Group and no definite timetable for the possible disposal to taking place.

FINAL DIVIDEND

The Board of Directors recommended the payment of a final dividend for the Year of HK cents 13.5 (2006: HK cents 10.5*) in cash per share. The proposed final dividend, together with the interim dividend of HK cents 10.5* per share paid on 4th September, 2007, give a total dividend of HK cents 24.0 (2006: HK cents 17.75*) per share for the whole 2007. (Note: *adjusted for subdivision of shares)

Subject to approval at the forthcoming Annual General Meeting, the final dividend will be payable on or about 7th May, 2008 to the shareholders whose names appear on the Register of Members of the Company at the close of business at 4:30 p.m. on 28th April, 2008.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from 23rd April, 2008 to 28th April, 2008 (both days inclusive), during such period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on 22nd April, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

Hong Kong's retail sector saw remarkable growth in 2007, recording $247.6 billion in sales that represents a staggering 12.8% year-on-year increase compared with 2006. The strong performance was the result of a multitude of factors, including rising income level, falling unemployment rate, a surge in the number of inbound visitors, and general wealth growth. Despite a general softening of the global consumer sentiment, Hong Kong people's consumption desire remained strong. According to the Global Consumer Confidence Study by the Nielsen Company, Hong Kong consumers were among the most confident out of people in 47 countries, with the confidence index registering a 7-point increase to 118 for the first six months of 2007.

In mainland China, the economy remained robust, as indicated by the 11.4% GDP growth and almost 17% retail sales growth in 2007 as compared to 2006. As more wealth is being created alongside with the economic growth, the amount of discretionary spending will also swell, with urban dwellers and the middle class demonstrating particularly stronger consumption power.

Financial Review 2007

The year 2007 was another successful one for the Group. Our operations again achieved record-high turnover and continued to outperform the market average, posting a 22.6% growth in aggregate sales revenue. With the consistently outstanding performance of SOGO CWB and the increasing contribution from SOGO TST, the Group's Hong Kong sales accounted for 21.3% of the market share of Hong Kong's department store sector, an increase of 1 percentage point from 2006. The performance of our Shanghai Jiuguang store was equally impressive with sales (in RMB term) surged 40.4% and turned profitable for the first time.

Turnover and Sales Proceeds

For the year under review, the Group's turnover grew to HK$3,112.4 million, a 20.5% increase from HK$2,582.0 million in 2006.

The Group's total sales proceeds (net of VAT) amounted to HK$6,780.5 million from the combined direct sales and concessionaire sales. SOGO CWB recorded sales proceeds of HK$5,132.7 million, SOGO TST HK$449.8 million and Shanghai Jiuguang HK$1,198.0 million respectively accounting for 75.7%, 6.6% and 17.7% of the Group's total sales proceeds.

Gross Profit and Gross Margin

The Group recorded a gross profit margin of 55.7%, compared with 55.0% in 2006, and gross profit rose to HK$1,734.6 million, up 22.1% from HK$1,420.7 million in 2006.

EBITDA and Net Profit

During the year, the Group's EBITDA (earnings before interest, taxation, depreciation and amortization) rose to HK$1,348.4 million, an increase of 37.8% from HK$978.6 million in 2006. The Group's EBITDA margin for the year, calculated based on turnover, was 43.3% compared with 37.9% for the previous year.

The significant growth in sales proceeds, coupled with the self-owned store business model at our Hong Kong flagship store and the relatively stable rental expense at the Shanghai Jiuguang and SOGO TST stores, the Group has benefited from the high operating leverage that saw the margin continued to expand.

Thanks to the stringent cost control measures and our mostly self-owned store business model, the Group's distribution costs and administration expenses increased mildly by approximately 5.9% only as a whole during the year and such increase was mainly due to higher staff costs which is the result of a combination of wage rise and more headcounts to cope with the expansion. The additional share option charge of approximately HK$12.8 million in relation the share options granted during the year also contributed to the increase in staff costs. The high operating leverage of the Hong Kong stores, together with the turnaround results of our Shanghai store, led the Group's net profit attributable to shareholders to reach HK$1,024.1 million, up 38.4% from HK$740.2 million in 2006.

Finance Costs

Finance costs of HK$81.8 million mainly comprised interest costs of the Group's bank loans and other finance charges. Increase in interest expense was mainly due to additional loans drawn during the year for funding the acquisition of the land use right in Shenyang, and development and construction costs of the Shenyang and Suzhou project. During the year, as part of the development costs of the Shenyang and Suzhou projects, an amount of approximately HK$15.6 million of the interest incurred has been capitalized.

Liquidity and Financial Resources

The Group was at net cash position as at 31st December 2007, with approximately HK$3,605.0 million of cash and bank balances, and approximately HK$3,006.8 million of bank loans. The cash and bank balances, mostly in US dollars and Hong Kong dollars, were held mainly at banks as short-term deposits for earning interest income. The Group's bank loans included a Hong Kong dollar term loan of HK$2,900.0 million, repayable semi-annually. This loan facility bears interest calculated with reference to the HIBOR.

The remaining loan balance represents working capital Renminbi loans bearing interest calculated with reference to the PBOC one year working capital lending rate.

Pledge of Assets

As at 31st December, 2007, the Group's land and buildings in Hong Kong with book value of HK$1,680.3 million (2006: HK$1,724.6 million) and investment property with book value of HK$1,538.9 million in the PRC were pledged to banks to secure general and banking facilities of the Group.

Operational Review

In Hong Kong, the buoyant property and stock markets, the record-low unemployment rate and the surge in inbound tourists served to boost consumers' confidence level and created a highly positive retail environment for the territory throughout 2007. Similarly, the continuously high-speed economic growth in China also produced a remarkably favourable retail environment across the border in the mainland. As a result, the Group once again delivered record results in terms of both sales and profits from all the stores growth, and same-store sales growth for SOGO CWB, SOGO TST and Shanghai Jiuguang outdid the respective market average.

SOGO CWB continued to perform well and remained the major contributor of the Group's revenue and profit. It saw increases in both the number of shoppers and ticket size. In addition, sales proceeds for the store reached record high during the two Thankful Week promotion periods held in May and November 2007. With its landmark location, SOGO CWB remained one of the top shopping destinations in the territory.

As for SOGO TST, 2007 was a year of consistent improvement in terms of its business, traffic flow and merchandise mix. It demonstrated strong growth momentum by posting same-store sales growth similar to SOGO CWB. Benefiting from operating leverage, the store recorded 37.0% profit growth on the back of 19.5% sales growth.

Overall, the two SOGO stores in Hong Kong together accounted for 2.2% of the total retail sales generated in the territory, taking our market share from 20.3% in 2006 to 21.3% of the local department store sales in 2007.

Shanghai Jiuguang has gradually developed into a widely popular department store in Shanghai, thus strengthening the "Jiuguang" brand equity and hastening the Group's business growth in the mainland. The store has started making positive profit contribution to the Group in 2007 after two years of start-up loss-making operation.

Hong Kong Operations:

SOGO CWB

SOGO CWB owes much of its consistently outstanding performance to its high operating leverage. In addition to this strength, the store's effective marketing and promotion campaigns, appropriate merchandise mix, soaring consumer confidence, and a generally positive economic environment have contributed to the strong sales growth at SOGO CWB during 2007. The Hong Kong flagship store remained the premier department store for local consumers and visitors. Throughout the year, SOGO CWB consistently outperformed the market average and recorded a sharp same-store sales growth of over 20% during the latter part of the year. For the full year, sales of the store grew approximately 18.2% from the previous year.

The average daily traffic at SOGO CWB increased slightly to around 94,700, compared with 93,600 in the previous year. The stay-and-buy ratio was 30%, up from 28.5%, while the average ticket size was HK$483, representing an approximately 10.8% increase from the previous year. During the November Thankful Week in celebration of the 14th Anniversary of Jumbo SOGO, the store saw record-breaking daily sales of HK$39.3 million, compared with HK$32.7 million record set during the 13th anniversary in the previous year.

SOGO TST

Targeting the relatively young and trend-loving customers, SOGO TST brought in a number of new brands and changed its merchandise mix during the year under review. This has helped boost the traffic and sales proceeds of the store. Merely two years since its inception, SOGO TST contributed in 2007 an impressive HK$26.9 million to the Group's profit, representing a 37.0% increase from the previous year. The store reported a turnover of HK$248.6 million in the year under review, representing 8.0% of the Group's total turnover.

Thanks to the increase in inbound tourists and the growing popularity of the store, the traffic at SOGO TST has seen improvement. Same-store sales growth during the year was similar to that of SOGO CWB and average ticket size grew 10.6% to HK$293.

Jiuguang Store

Three years since it commenced operation, Shanghai Jiuguang continued to thrive and grow in popularity, recording approximately 40.4% year-on-year same-store growth in 2007 in local currency term. During the year under review, daily traffic rose to approximately 45,700 from 39,600 in 2006.

In a bid to maximize the efficiency of the store building and to make Shanghai Jiuguang the ultimate shopping destination for the customers, the Group carried out a series of renovation initiatives during the year, including the introduction of the "YES" section that specialising in audio and video products and targets the young and trend-loving population. To simulate buying interests, a unique jewellery zone housing famous goldsmiths and jewellery retailers has also been created which has received good response. Meanwhile, Freshmart at the basement continued to perform well. Apart from contributing to the Group's sales and profit, Freshmart also serves as a trendsetter for Shanghai Jiuguang thanks to its premium supermarket image.

In sum, the Group is satisfied with the results of its first store in the mainland and is confident and ready to introduce the unique Jiuguang shopping experiences to consumers in other mainland cities.

Expansion in Mainland China

Construction and fit-out work of the Suzhou store, a one-stop shopping complex that will bring a department store, entertainment and dining facilities under one roof, has been progressing as planned and we aim to open the store in the 4th quarter of 2008. Leasing and marketing is now underway and has received favourable response. While relocation and evacuation works for the Shenyang site is nearing completion, we expect major development and construction work will commence in the second half of 2008 and we target to open the store during the first half of 2010.

In addition to the two projects in Suzhou and Shenyang mentioned above, during the year under review, we also made a number of acquisitions that would effectively strengthen our presence and brand equity in the mainland market. We announced in April 2007 the acquisition of four retail properties situated respectively in Dalian, Tianjin, Harbin and Qingdao. Renovation and improvement works for the Dalian and Tianjin stores will commence very soon and we aim to open the two stores in the 2nd half of 2008. In October 2007, we acquired an effective 59.4% interest in the largest retail shopping complex in Shijiazhuang, Hebei Province. The property is currently being leased as an anchor tenant to a leading local retail group, for rental income purpose and the current lease will expire in April 2011. In the meantime, the Group is exploring different means of cooperation with the tenant to maximize the business opportunities in the area.

All these acquisitions and projects, upon completion and when put into operation, will significantly increase the retail space of the Group. These additions are significant and important for the Group to capture the fast-growing PRC retail market through increasing our market presence. We are confident that these new projects will follow the success of our Shanghai store in mainland's flourishing retail market.

Extension of Retail Business

As a natural extension of our retail business to broaden the Group's revenue base and enable it to capture a slightly different growth potential in the branded goods distribution business in the PRC, we have been involved since September 2007 in the rescue of EganaGoldpfeil (Holdings) Limited ("Egana" or together with its subsidiaries the "Egana Group").

Subject to approval of the relevant regulatory bodies and shareholders of both the Egana Group and the Group, Proposed Restructuring, expected to be completed before the end of the first half of 2008, will enable Lifestyle International to get immediate access to a portfolio of internationally renowned brands in various product categories that we believe will be a good fit for the PRC consumer products market. And by then, we will have acquired Egana's existing sales business platform that will spare us the time to start the business from scratch. We believe the transaction will bring about synergies and that we are well positioned to pursue the affordable luxury goods business in the flourishing mainland market.

Future Prospects

While striving to maintain the consistently good performance of our existing department store operations, we also attach great importance to the sustainability of our business growth in the long run.

We are confident that the gradual roll-outs of our new mainland department store operations will soon thrive with contributions to the Group's profit and become new growth drivers of the Group in the near future. The new store complexes will strengthen our brand equity and significantly stretch our tentacles in mainland China. We will continue to look for attractive opportunities and acquire new properties or land sites where appropriate.

Upon successful completion of the Egana Proposed Restructuring, the Group will have access to Egana's internationally renowned brand portfolio, its experienced management team and branded goods business platform, we will be able to meet the market's growing appetite for mid- to high-end brands that will create opportunities for us to pursue the affordable luxury goods business in the mainland market.

Notwithstanding the uncertainty casting over the prospect of the US and Europe economy, we remain cautiously optimistic about the economy and retail market in Hong Kong and the mainland in the foreseeable future. Given the surge in consumption power of the Chinese consumers, the growth of the already high net worth individuals and the rise of the middle-class population, China's domestic consumption and economic growth will continue that will bring positive effects to the Hong Kong economy and retail market. With our solid foundation becoming even stronger, we are in a process that leads us step-by-step towards the goal of becoming the leading retail player in the PRC within the coming decade.

EMPLOYEES

As at 31st December, 2007, the Group had a total of about 1,000 employees in Hong Kong and 450 employees in the PRC. The cost of employees (excluding directors' emoluments) amounted to HK$223.6 million (2006: HK$205.8 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. During the year, 11,100,000 (2006: NIL) stock options were granted to those employees at exercise price of HK$18.5 per share.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

There was no purchase, sale or redemption of shares of the Company by the Company or any of its subsidiaries during the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions laid down in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding its Directors' securities transactions. Specific enquiries have been made to all Directors, and all Directors have confirmed their compliance with all the relevant requirements as set out in the Model Code during the Year.

AUDIT COMMITTEE

The Audit Committee of the Company is to review and supervise the financial reporting process and internal control procedures of the Group; and the Group's final results for the Year has been reviewed by the Audit Committee.

The Audit Committee of the Company comprises of four Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon (Chairman of the Audit Committee), Mr. Cheung Yuet-man, Raymond, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen. Mr. Lam is a certified public accountant.

REMUNERATION COMMITTEE

The Remuneration Committee is to consider the remuneration of the directors and senior management of the Group. The Remuneration Committee comprises of three Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen and one executive director, Mr. Lau Luen-hung, Thomas. Mr. Lau takes the chair of the Remuneration Committee.

PUBLICATION OF FINAL RESULTS ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement will be published on the website of the Stock Exchange under the heading "Investor". The annual report for the Year containing all the information as required by Appendix 16 of the Listing Rules will be dispatched to shareholders of the Company and be posted on the website of the Stock Exchange as well as the Company in due course.

ACKNOWLEDGEMENT

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

DIRECTORS

As at the date of this announcement, the Board of Directors comprises two executive Directors, namely, Messrs. Lau Luen Hung, Thomas and Doo Wai Hoi, William, four non-executive Directors, namely Dato Dr. Cheng Yu Tung, Dr. Cheng Kar Shun, Henry, Mr. Lau Luen Hung, Joseph and Ms. Lau Yuk Wai, Amy and four independent non-executive Directors, namely, Messrs. Lam Siu Lun, Simon, Cheung Yuet Man, Raymond, Shek Lai Him, Abraham and Hui Chiu Chung, Stephen.

On behalf of the Board
Lifestyle International Holdings Limited
Lau Luen-hung, Thomas
Managing Director

Hong Kong, 27th February, 2008