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 2024

HIGHLIGHTS

- Revenue decreased 7.3% to RMB644.6 million
- Profit attributable to owners of the Company decreased 67.4% to RMB41.7 million
- Earnings per share decreased 67.4% to RMB0.028
- No interim dividend has been declared by the Board

INTERIM RESULTS

The board of directors ("Board") of Lifestyle China Group Limited ("Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, "Group") for the six months ended 30 June 2024, together with comparative figures for the corresponding period in 2023, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**644,603**	695,235
Cost of sales		**(282,537)**	(301,165)
Gross profit		**362,066**	394,070
Other income, gains and losses		**101,569**	109,828
Selling and distribution costs		**(289,501)**	(301,619)
Administrative expenses		**(118,946)**	(114,491)
Interest and investment income	*4*	**25,336**	30,406
Share of profit of a joint venture		**16,651**	14,428
Share of profits of associates		**160,557**	255,196
Finance costs	*5*	**(93,505)**	(84,129)
Profit before taxation		**164,227**	303,689
Taxation	*6*	**(33,311)**	(38,078)
Profit for the period	*7*	**130,916**	265,611
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		**3**	34
Other comprehensive income for the period, net of tax		**3**	34
Total comprehensive income for the period		**130,919**	265,645
Profit for the period attributable to:			
Owners of the Company		**41,668**	127,622
Non-controlling interests		**89,248**	137,989
		130,916	265,611
Total comprehensive income attributable to:			
Owners of the Company		**41,671**	127,656
Non-controlling interests		**89,248**	137,989
		130,919	265,645
		RMB	*RMB*
Earnings per share attributable to owners of the Company			
- Basic and diluted	*9*	**0.028**	0.087

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2024

	Notes	**30 June 2024 (Unaudited)** ***RMB'000***	31 December 2023 (Audited) *RMB'000*
Non-current assets			
Property, plant and equipment		**5,001,330**	5,042,882
Right-of-use assets		**3,498,089**	3,569,973
Investment property		**1,215,472**	1,230,863
Investments in associates		**3,629,805**	3,572,148
Investment in a joint venture		**381,106**	364,455
Deferred tax assets		**30,011**	26,081
Other receivables	*10*	**4,353**	5,353
		13,760,166	13,811,755
Current assets			
Inventories		**96,450**	93,877
Trade and other receivables	*10*	**185,572**	194,893
Amounts due from associates		**148,522**	112,782
Structured bank deposits		**537,500**	580,800
Cash and cash equivalents		**2,230,368**	2,242,826
		3,198,412	3,225,178
Current liabilities			
Trade and other payables	*11*	**825,060**	959,356
Amount due to a joint venture		**16,579**	37,640
Amount due to a non-controlling shareholder of subsidiaries		**26,142**	26,142
Tax payable		**17,024**	26,521
Bank borrowings – due within one year		**50,000**	40,000
Lease liabilities		**42,792**	45,809
Contract liabilities		**12,709**	13,668
		990,306	1,149,136
Net current assets		**2,208,106**	2,076,042

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE 2024

	30 June 2024 (Unaudited)	31December 2023 (Audited)
	RMB'000	*RMB'000*
Non-current liabilities		
Bank borrowings – due after one year	**3,208,000**	3,238,000
Lease liabilities	**1,543,794**	1,566,061
Deferred tax liabilities	**69,021**	67,198
	4,820,815	4,871,259
	11,147,457	11,016,538
Capital and reserves		
Share capital	**6,291**	6,291
Reserves	**9,433,960**	9,392,289
Equity attributable to owners of the Company	**9,440,251**	9,398,580
Non-controlling interests	**1,707,206**	1,617,958
	11,147,457	11,016,538

NOTES TO THE INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The interim financial information for the six months ended 30 June 2024 ("interim financial information") has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information have been prepared on a historical cost basis. The preparation of financial statements in conformity with Hong Kong Financial Reporting Standards ("HKFRSs") requires the use of certain critical accounting estimates.

The accounting policies and methods of computation used in the preparation of the interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2023.

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current period:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules

The application of the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and position for the current and prior period and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold by the Group to 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	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Recognised at a point in time:		
Sales of goods - direct sales	**262,424**	281,139
Recognised over time:		
Income from concessionaire sales	**202,619**	251,249
Service income	**17,949**	19,168
Revenue from contracts with customers	**482,992**	551,556
Rental income	**161,611**	143,679
Total revenue	**644,603**	695,235

All the above revenue is derived in the People's Republic of China (the "PRC").

Segment information

The Group's operating activities are attributable to a single operating segment under HKFRS 8 "Operating Segments" focusing on operation of department stores, retailing and related business as well as property investment in the PRC. 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 of the Company). The CODM regularly reviews revenue analysis and profit for the period of the Group as a whole to make decisions about resource allocation. Accordingly, no separate segment information other than entity-wide information is presented.

The Group's non-current assets are all based in the PRC. The Group has no customers that contributed over 10% of the total revenue of the Group for both periods.

4. INTEREST AND INVESTMENT INCOME

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest income on bank deposits	**15,587**	30,406
Investment income from structured bank deposits	**9,749**	-
	25,336	30,406

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interests expenses on:		
- Bank borrowings	**60,302**	62,148
- Lease liabilities	**33,203**	21,981
	93,505	84,129

6. TAXATION

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
The tax charge comprises:		
Current tax:		
PRC Enterprise Income Tax	**32,331**	42,680
Withholding tax	**3,087**	-
Deferred tax credit	**(2,107)**	(4,602)
	33,311	38,078

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rates of the PRC subsidiaries are 25% for both periods.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the period has been arrived at after charging:		
Staff costs	**106,760**	99,888
Depreciation of property, plant and equipment	**112,340**	123,053
Depreciation of investment property	**15,391**	15,391
Depreciation of right-of-use assets	**71,884**	76,880
Loss allowance on expected credit losses for lease receivables	**822**	3,719
Expenses related to variable lease payments	**15,680**	19,567
Cost of inventories recognised as expense	**226,330**	240,109

8. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2024 (2023 nil).

9. EARNINGS PER SHARE

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

	Six month ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to owners of the Company	**41,668**	127,622
	30 June	30 June
	2024	2023
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares	**1,464,449**	1,464,449

Diluted earnings per share were the same as the basic earnings per share as there were no potential dilutive equity instruments throughout the six months ended 30 June 2024 and 2023 respectively.

10. TRADE AND OTHER RECEIVABLES

	30 June 2024 (Unaudited) ***RMB'000***	31 December 2023 (Audited) *RMB'000*
Trade receivables	**25,016**	27,093
Lease receivables	**65,507**	67,244
	90,523	94,337
Less: Loss allowance on expected credit losses	**(9,970)**	(9,148)
	80,553	85,189
Prepayments	**231**	299
Deposits paid	**4,353**	5,353
Value Added Tax ("VAT") receivable	**72,156**	68,670
Others	**54,885**	62,988
	131,625	137,310
Less: Loss allowance on expected credit losses	**(22,253)**	(22,253)
	109,372	115,057
	189,925	200,246
Less: Non-current portion	**(4,353)**	(5,353)
	185,572	194,893

The Group's retail sales to customers are mainly in cash, through debit card or third party payment platform. Trade receivables mainly arising from sales through third party payment platform are normally settled in one to two business days, whereas lease receivables are normally settled 30 days in arrears. The following is an aged analysis of trade and lease receivables net of allowance for expected credit losses, if any, at the end of the reporting period presented based on the invoice date:

	30 June 2024 (Unaudited) ***RMB'000***	31 December 2023 (Audited) *RMB'000*
0 – 30 days	**61,836**	67,373
31 – 60 days	**7,890**	11,165
61 – 90 days	**3,253**	2,637
Over 90 days	**7,574**	4,014
	80,553	85,189

11. TRADE AND OTHER PAYABLES

	30 June 2024 (Unaudited) ***RMB'000***	31 December 2023 (Audited) *RMB'000*
Trade payables	**42,432**	45,816
Construction payables	**16,036**	3,686
Concessionaire sales payables	**331,584**	425,562
Refundable prepaid card deposits	**117,978**	125,623
Rental deposits received	**224,509**	221,658
Accrued expenses	**43,215**	69,880
VAT payable	**1,125**	6,937
Interest payables	**2,919**	3,856
Others	**45,262**	56,338
	825,060	959,356

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

	30 June 2024 (Unaudited) ***RMB'000***	31 December 2023 (Audited) *RMB'000*
0 – 30 days	**37,908**	36,451
31 – 60 days	**1,902**	3,008
61 – 90 days	**307**	1,206
Over 90 days	**2,315**	5,151
	42,432	45,816

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

EXTRACT OF REVIEW REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regarding the interim financial information of the Group for the six months ended 30 June 2024.

Basis for Qualified Conclusion

Comparability of the current period's figures and the corresponding figures for the six-month period ended 30 June 2023 in the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of changes in equity

The Group holds equity interests in certain associated companies herein referred to as "Beiren Group". For the six-month period ended 30 June 2024, the Group recognised a share of profit of associates of RMB160.6 million, of which RMB160.3 million were attributable to the Beiren Group. The corresponding figures of share of profit of associates for the six-month period ended 30 June 2023 was RMB255.2 million, of which RMB254.4 million were attributable to the Beiren Group.

In 2019, the Group made a full expected credit loss allowance, net of deferred tax credit ("Full Impairment") against the entire overdue trade receivable balances due from three PRC companies ("Debtors") of the Beiren Group ("Trade Receivables"), for the purpose of recognising the Group's share of results of the Beiren Group. Such Trade Receivables were guaranteed by the ultimate beneficial owner of the Debtors (the "Guarantor"). The impact of the Full Impairment on the Group's share of losses of associates, loss attributable to owners and loss attributable to non-controlling interests for the year ended 31 December 2019 amounted to RMB812.4 million, RMB487.4 million and RMB325.0 million respectively. We previously qualified our report on review of interim financial information for the period ended 30 June 2023 due to a limitation of scope as we were unable to obtain sufficient appropriate evidences on whether any adjustments were necessary to the carrying amount of the Trade Receivables of nil balance and the related deferred tax credit in respect of the aforementioned Full Impairment made in 2019 which could have a consequential effect on (i) the Group's share of profits of associates for the six-month period ended 30 June 2023, and (ii) the Group's profit attributable to owners and profit attributable to non-controlling interests in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023.

In relation to the audit of the Group's consolidated financial statements for the year ended 31 December 2023, based on the information available as well as court judgements, the Group's independent legal adviser was of the opinion that the likelihood of recoverability of the balance of Trade Receivables was very low. The Group's management were of the view that the legal advice obtained further strengthened the basis of their assessment that the recoverability of the Trade Receivables was remote and the Full Impairment against the Trade Receivables as at 31 December 2023 was appropriate.

Despite the legal opinion obtained was able to support the Group's assessment of the Full Impairment against the Trade Receivables as at 31 December 2023, we were still unable to obtain sufficient appropriate evidence we considered necessary to assess the recoverable amounts of the Trade Receivables as at 1 January 2023 and 30 June 2023. Given the abovementioned scope limitations, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying amount of the Trade Receivables of nil balance and the related deferred tax credit in respect of the Full Impairment as at 1 January 2023 and 30 June 2023 which could have a consequential effect on (i) the Group's share of profits of associates for the six-month period ended 30 June 2023, and (ii) the Group's profit attributable to owners and profit attributable to non-controlling interests in the Group's interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023.

Because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures for the six-month period ended 30 June 2023 in the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of changes in equity, our review conclusion on the interim financial information for the six-month period ended 30 June 2024 is therefore qualified.

Qualified Conclusion

Based on our review, except for the possible effects on the comparability of the current period's figures and the corresponding figures for the six-month period ended 30 June 2023 of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

MANAGEMENT DISCISSION AND ANALYSIS

Market Overview

In the first half of 2024, affected by the complex international environment and the shift of the domestic economy from incremental growth to stock competition, alongside challenges posed by the sluggish real estate market and ongoing economic structural adjustment, the Chinese economy showed signs of slowing down. The country's gross domestic production (GDP) grew 5.0% year-on-year during the period and 4.7% year-on-year in the second quarter, 0.6 percentage point less than the 5.3% growth in the first quarter. Total retail sales of consumer goods in China for the period increased by 3.7% year-on-year, which also lagged the 4.7% year-on-year increase in the first quarter.

Meanwhile, China's retail market saw a gradual change in consumption pattern. Consumers have become more cautious and rational in spending, placing more emphasis on the quality of products, personalized designs and brand influence, and are more price sensitive, opting for products and services affording low cost with high-quality. Being able to offer low cost with high-quality products becomes the competitive strength in today's increasingly competitive retail market. With the society advocating traditional culture, "China chic" products become consumers' favorite. In addition, affected by economic and health and environmental factors, demand from consumers for goods that enhancing good health and providing a balanced lifestyle has increased. To seize market opportunities arising from this trend of healthy lifestyle, retailers are actively launching sustainable development events to drive steady consumption growth.

Financial Review

Facing with various economic challenges, the Group actively adjusted its operating strategies in response to market changes, invested resources in optimizing store operations and product mix, as well as organized diversified special events to boost customer traffic and store efficiency. During the six months period ended 30 June 2024, the overall business performance of Shanghai Jiuguang and Suzhou Jiuguang, the Group's two well-established department stores, and that of Shanghai Jiuguang Center, remained relatively stable.

Revenue and Sales Proceeds

During the period, the Group's revenue decreased by 7.3% to RMB644.6 million (same period in 2023: RMB695.2 million), with total sales proceeds dropping 11.5% to RMB1,450.4 million (same period in 2023: RMB1,638.6 million). The decline in revenue and sales proceeds was mainly due to the retail market becoming more cautious as impacted by the macroeconomic environment, leading to fall in average spending of consumers.

Gross Profit and Concessionaire Rate

During the period, the Group's gross profit fell by 8.1% to RMB362.1 million (same period in 2023: RMB394.1 million). Gross profit margin as a percentage of revenue remained stable at approximately 56.2%, and as a percentage of total sales proceeds, it increased to 25.0% from 24.0% in the same period last year and such increase was mainly attributable to the increase in rental income from Shanghai Jiuguang Center during the period. On the other hand, average concessionaire rate eased to 19.3% from 19.6% in the first half of 2023.

Net Profit Attributable to Shareholders
During the period, net profit attributable to shareholders of the Company decreased by 67.4% to RMB41.7 million (same period in 2023: RMB127.6 million). The decrease in net profit was mainly attributable to: (i) the 37.0% year-on-year decrease to RMB96.2 million of the Group's share of profit in its associate, the Beiren Group, (ii) decrease in the Group's sales and revenue, and (iii) increase in finance charges from lease liabilities following renewal of the lease for the Shanghai Jiuguang property. During the period, the Group recorded operating loss before tax of RMB13.0 million before counting the share of profit from associates and a joint venture, compared with RMB34.1 million operating profit recorded in the same period last year.

Selling and Distribution Costs
The Group's selling and distribution costs for the period lowered by 4.0% to RMB289.5 million from the RMB301.6 million in the same period last year, mainly due to cost control of property management expenses and decrease in depreciation charges following certain fixed assets reached the end of their useful life. The Group's total selling and distribution costs as a percentage of total sales proceeds during the period increased to 20.0% from 18.4% in the same period of 2023.

Administrative Expenses
The Group's general administrative expenses increased by 3.9% year-on-year to RMB118.9 million from RMB114.5 million in the first half of 2023. The increase was mainly due to the rise in staff costs during the period while other general administrative expenses remained stable.

Staff Costs
Staff costs (excluding directors' emoluments) for the period increased by 6.9% year-on-year to RMB106.8 million from RMB99.9 million in the first half of 2023, mainly due to the general increment in salaries during the period and the one-off redundancy payment in respect of the closure of the Shanghai standalone "Freshmart". As at 30 June 2024, the Group had 1,104 full-time employees, compared with 1,164 as at 30 June 2023. The decrease in the number of staff was mainly due to the closure of the standalone "Freshmart" in March 2024.

Other Income, Gains and Losses
Other income, gains and losses, which mainly include management fees from concessionaire counters/tenants, third-party payment platform charges and other incomes, and sundry income and foreign exchange gain/loss, saw a 7.5% year-on-year decrease to RMB101.6 million during the period. The decrease was mainly attributable to lower foreign exchange gain and government subsidies, and the year-on-year decrease in income from third-party payment platform charges due to sales decline.

Interest and Investment Income
During the period, the Group's interest and investment income dropped by 16.7% year-on-year to RMB25.3 million, mainly due to decline in average deposit rates during the period.

To increase the overall return on the Group's cash balances, the Group entered into a 3-year entrusted loan agreement during the period, providing a loan facility amount of up to RMB60 million to Shanghai Joinbuy, a joint venture in which the Group holds 50% interests, at an interest rate higher than that of the Group's normal bank deposit rate.

Finance Costs
The Group's finance costs comprise mainly interest on bank borrowings and lease liabilities. Total finance costs for the period rose by 11.1% to RMB93.5 million (same period in 2023: RMB84.1 million), of which RMB60.3 million (same period in 2023: RMB62.1 million) was bank loan interest and RMB33.2 million (same period in 2023: RMB22.0 million) from lease liabilities. The decrease in bank loan interest was mainly due to the decrease in the amount of bank borrowings and reduction in interest rate, whereas the higher finance charges arising from lease liabilities was a result of the substantial increase in lease liabilities following the lease renewal for the Shanghai Jiuguang property.

Liquidity and Financial Resources
The Group's adjusted EBITDA for the period decreased by 18.7% to RMB197.1 million from RMB242.4 million in the first half of 2023, mainly due to decrease in sales and revenue during the period.

As at 30 June 2024, the Group's net debt (defined as cash and cash equivalents and amounts due from associates less total bank borrowings, amount due to a non-controlling shareholder of subsidiaries and amount due to a joint venture) decreased to approximately RMB384.3 million from approximately RMB405.4 million as at 31 December 2023, mainly due to the receipt of dividends from associates during the period.

As at 30 June 2024, the Group's cash and cash equivalents, and structured bank deposits amounted to approximately RMB2,767.9 million (31 December 2023: RMB2,823.6 million), of which RMB79.3 million were in Hong Kong dollars and Renminbi held in Hong Kong. The remaining cash balance was held in the Chinese Mainland, of which approximately 3.4% was denominated in US dollars and 96.6% was denominated in Renminbi. The decrease in cash and cash equivalents was mainly a result of repayment of RMB20.0 million bank borrowings by the Group during the period, and payment of renovation costs and capital expenditure. As at the end of the period, the Group's debt to equity ratio (defined as bank borrowings divided by equity attributable to owners of the Company) remained stable at approximately 34.5%

Foreign Exchange Management
The functional currency of the Company and its subsidiaries in the Chinese Mainland is Renminbi, in which most of the Group's transactions are denominated. As described in the "Liquidity and Financial Resources" section above, a small portion of the Group's monetary assets are denominated in foreign currencies (Hong Kong dollars and United States dollars).

Given that the majority of the Group's revenue and expenses, as well as borrowings and capital expenditures are denominated in Renminbi, and the Hong Kong dollar cash balance held in Hong Kong is used to settle operating expenses incurred outside of the Chinese Mainland, the Group currently does not need have a comprehensive foreign currency hedging policy. Nevertheless, the management will monitor the Group's foreign currency exposure and, if necessary, will consider taking appropriate measures to mitigate any significant potential foreign currency risk.

Pledge of Assets
As at 30 June 2024, certain of the Group's property, plant and equipment and right-of-use assets in China with book value of approximately RMB3,550 million (31 December 2023: RMB3,631 million), and RMB1,544 million (31 December 2023: RMB1,569 million) respectively were pledged to secure bank facilities of RMB3,300 million (31 December 2023: RMB3,300 million).

Contingent Liabilities
The Group did not have any material contingent liabilities as at 30 June 2024.

Significant Investments, Material Acquisitions and Disposals
During the period, the Group had no significant investments, nor were there any material acquisitions or disposals of subsidiaries.

Review of Operations
In the first half of 2024, in response to the market trend, the Group continued to strengthen and promote the Jiuguang brand and to adjust and optimize its product mix and improve its shopping environment, as well as launching diversified festive-themed promotions and experiential activities to meet customers' demand for low cost with high-quality products and services. In addition, the Group continued to focus on integrating its online platform with its physical stores as well as improving and strengthening its VIP membership and activation program to increase customer traffic and stimulate sales.

Shanghai Jiuguang Center ("JGC")
As a commercial complex and positioned as a leisure experience and lifestyle hub, JGC launched during the period an array of activities at the mall to attract customers to enjoy in-store shopping and leisure. In early March, Shanghai Jiuguang Center hosted the first public audition for the 2024 "The Singer" (Sixth Season) in Shanghai, attracted hundreds of contestants and supporters. In April, to match the "Blooming in Spring" theme, JGC transformed the terrace and pedestrian streets into a fairy tale world featuring a sea of blooming flowers, and meandering trails, creating a photo-taking hotspot for the public in Shanghai. In June, JGC held a series of Children's Day activities, such as the family water gun battles and rainbow bubble waterfall on the outdoor patio. Those unique activities and settings drew strong customer patronage.

In the first half of 2024, JGC's average daily footfall grew by 22.3% year-on-year to 34,000 visitors from 27,800 visitors in the same period last year. The stay-and-buy ratio decreased slightly by 1.9 percentage points to 75.3%, while the average ticket size dropped 12.9% year-on-year to RMB181. Total sales revenue decreased by 4.0% year-on-year to RMB155.7 million.

During the period, the Group continued to work on leasing office spaces within the two office towers of the JGC and is expected to bring stable cash flow to the Group in the foreseeable future. Despite the weak commercial property market, approximately 70% and 10% of the East Tower and West Tower respectively had been leased out by the end of the period, generating rental income of approximately RMB16.3 million to the Group during the period. Tenants include enterprises in industries such as logistics, professional services, and e-commerce.

Shanghai Jiuguang
Shanghai Jiuguang continued to strengthen its position as a trend setter in Shanghai by bringing together fashion brands, and attracting customer traffic with its extensive product mix and exciting cultural and charitable activities. During the period, Shanghai Jiuguang introduced several new brands in the beauty, apparel and catering categories. To lead the spring-summer design trend, it cooperated with fashion brands to presenting women's clothing that integrates traditional paper-cutting art with trendy aesthetics, as well as formal wear that combine surrealism and figurative art. In addition, Shanghai Jiuguang cooperated with "UniLove Charity Development Service Center in Jing'an District, Shanghai (上海靜安君愛公益發展服務中心)" to organize an Autism Awareness Day and painting exhibition, offering immersive artistic experience filled with childhood fun through paintings created by children with special needs to help promote the concept of social inclusiveness. To strengthen the loyalty of existing Jiuguang VIP members and attract new customers to join the Jiuguang loyalty program, the store launched a range of special privileges to attract customers and enhance their in-store shopping experience.

In the first half of 2024, although the average daily footfall at Shanghai Jiuguang fell by 4.5% to 46,800 visitors, the average stay-and-buy ratio increased by 1.4 percentage points to 40.1%. Its average ticket size however dropped by 6.4% year-on-year to RMB378 while average concessionaire rate eased 0.3 percentage point to 22.5% during the period.

Suzhou Jiuguang
In the first half of 2024, Suzhou Jiuguang upheld its position as a prime shopping destination for jewelry, offering acclaimed jewelry products and watch brands from around the world, so as to further enhance the reputation of Suzhou Jiuguang brand in the jewelry market. Facing the increasingly cautious retail sentiment and fierce competition in the department store sector, Suzhou Jiuguang teamed up with brands in the store to organize shopping fairs for VIP members to induce them to spend on their favourite products. In addition, with renovation of the North Plaza of the mall completed during the period, this premium location helped facilitate special events such as art fairs and sports camps to draw patronage, engaging customers and elevating their shopping experience, so as to help improving the store's efficiency.

During the period, Suzhou Jiuguang's average daily footfall grew by 16.4% year-on-year to approximately 14,400 visitors. The stay-and-buy ratio and average ticket size on the other hand fell by 11.6 percentage points and 2.8% year-on-year to 49.2% and RMB482 respectively. During the period, total sales proceeds of Suzhou Jiuguang dropped 17.5% year-on-year to RMB387.1 million, of which approximately 45% was contributed from watches and jewelry product categories. Average concessionaire rate slipped 0.3 percentage point to 15.0%.

Dalian and Shenyang Property
The Group's commercial properties in Dalian and Shenyang remained vacant in the first half of 2024, with a total cash outflow of approximately RMB9.9 million, mainly incurred for repair and maintenance of those properties.

Standalone Freshmart Operation
The Group ceased the "Freshmart" operation, at a leased premise in Changning District, Shanghai in March 2024 following expiry of the lease. The Group may, subject to changes in the market consumption trend, identify an opportunity to reopen standalone "Freshmart" operation should a suitable new location become available in the future.

Investments in Associates
The Group holds a strategic stake in the Beiren Group, a leading retailing group based in Shijiazhuang, Hebei Province, China. During the period, the Shijiazhuang market was also affected by the weak consumption sentiment, resulting in a year-on-year decrease in both sales revenue and net profit of the Beiren Group for the period. In addition, in the absence of a one-off gain as recorded last year from disposal of a land parcel, the Group's share of Beiren Group's net profit for the period (net of attributable non-controlling interests) decreased by 37.0% to RMB96.2 million from RMB152.7 million last year.

As far as the Group's fully impaired Trade Receivables is concerned, with only a non-controlling interest in the Beiren Group, the Group can only rely on the management of the Beiren Group to (i) take appropriate and necessary actions to collect the receivables from the Debtors and/or the Guarantor, and (ii) obtain up-to-date and relevant information, including but not limited to financial information and financial position of the Debtors and the Guarantor and progress of legal proceedings, if any, against the Debtors and/or the Guarantor.

During the period, the Group understood from management of the Beiren Group that no progress has been made in recovering the Trade Receivables balances nor were there any further financial information relating to the Debtors and the Guarantor available. Based on the currently available information, the Group continued to believe making full impairment for the Trade Receivables in 2019 remains the best estimate.

As the Group only holds non-controlling interest in the Beiren Group, the Board understands the Group has to rely on management of the Beiren Group to take necessary legal actions and make regular contact with relevant authorities to monitor the progress of the matter. The Board is also aware of the difficulties and challenges management of the Beiren Group is facing in obtaining further and up-to-date information.

In view of the above, despite the lack of progress in obtaining updated information specific to the case in relation to the Debtors and/or the Guarantor, the Board considers the actions taken by the Group and management of the Beiren Group to be the most appropriate under the circumstances.

At the end of 2023, the Group sought independent legal advice from a PRC lawyer to assess the repayment ability of the Debtors' and/or Guarantor in respect of the Trade Receivables. Although management of the Beiren Group has initiated civil proceedings to recover the relevant debts, in accordance with the basic legal principle of criminal case to precede civil case in China's judicial practice, civil and commercial cases filed will only be heard based on the outcome of and after relevant criminal cases are closed. As there has been no conviction made in the criminal case against the Guarantor, so there has been no progress with the related civil cases against the Debtors. Moreover, in accordance with relevant laws and regulations in the Chinese Mainland and legal precedents, any property of the Guarantor involved in the case that has been seized, detained, or frozen by the relevant authorities will be returned first to the fundraising participants when the legal proceedings end. The PRC People's court shall continue to recover any outstanding portion or order refunds, which will take priority over the civil debts owed to the Beiren Group. It is noted that many other public cases similar to the Group's criminal case against the Guarantor were finalised during 2023. In view of this, it is the opinion of the independent legal advisor that the likelihood of recoverability of any balance of the Trade Receivables is very low. After carefully assessing the situation, the Group continued to uphold its conclusion that the Trade Receivables had not been recoverable since 2019 when the Full Impairment was first made and remained irrecoverable as at 31 December 2023.

Based on the above independent legal advice, the auditor concurred with the Group's assessment that the Trade Receivables were not recoverable as at 31 December 2023, and therefore did not issue a qualified opinion on the Group's consolidated financial position as at that date. However, as the auditor was still unable to obtain sufficient and appropriate audit evidence they considered necessary to assess management's assessments in respect of the Trade Receivables not being recoverable as at 1 January 2023 and 30 June 2023, the auditor has qualified their review conclusion in respect of the comparability of the 2024 and 2023 figures in the Group's interim condensed consolidated statement of profit or loss and comprehensive income for the six-month period ended 30 June 2024. The Board and the Audit Committee agreed with the auditor in issuing qualified conclusion on the comparability of the current period's figures and the corresponding figures for the six-month period ended 30 June 2023 in the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of changes in equity.

Outlook and Plan

Looking ahead into the second half of 2024, the international environment will remain complex and the slowdown of global economic growth will continue. China's economy still faces various challenges including a sluggish real estate sector, insufficient demand and weak social expectations. Overall consumption confidence still needs time to improve, and consumers are becoming more rational with their spending decision. However, health and green related consumption is expected to become the new growth drivers. In the wake of support from relevant government policies and measures, consumption demand is expected to be further released and the retail market is likely to remain stable.

To seize market opportunities and enhance overall competitiveness, the Group is committed to further nurturing the Jiuguang brand and strengthening its leadership in the department store retail industry in Shanghai and the Yangtze River Delta. The Group will continue to closely monitor consumption trends, optimize its product and service portfolios and strive to build and deepen customer relations, so as to enhance customers' awareness of the Jiuguang brand.

Recognizing consumers' growing preference for low-price-high-quality products, the Group will grasp more accurately consumer needs and continue to optimize its brand portfolio and to provide better quality products and services. The Group's department store and shopping mall in Shanghai are actively negotiating with a number of new brands to open their first store in Shanghai in the second half of the year, as well as to bring in more healthcare and nourishing health-preserving brands to cater to the needs of health-conscious consumers.

The Group also plans to provide more experiential and immersive consumption choices. Shanghai Jiuguang Center has recently opened a water park that comes with a surf simulator, a 6-meter tall water slide, bringing consumers the joy of the summer as well as the opportunity to exercise amid the Paris Olympics. Shanghai Jiuguang and Suzhou Jiuguang will continue to hold different themed events including art exhibitions and fashion fairs to integrate shopping venues with lifestyles, thereby attracting customers, old and new, into the stores to enjoy the shopping experiences.

With the rapid development of technologies in artificial intelligence, the Group will fully utilize data analysis to understand the consumption preferences and buying habits of customers and help implementing precisive marketing. At the same time, the Group will use its smart management system to monitor real-time customer traffic at the entrances of the mall and to capture sales data of shops on the sales floor. This will enable timely optimization of the mall layout and provide support to individual shops in formulating more targeted sales strategies to improve customers' shopping experience, increase customer dwell time and improve retention rate.

The Group will continue to optimize its VIP membership program, and to enhance customer loyalty by deepening engagement with members, regularly inviting them to the store to try new products, providing them exclusive offers, special privileges and other rewards. The Group will also actively offer personalized products and provide shopping advices to customers to increase their shopping satisfaction.

The Group will continue to closely monitor consumption trends and bolster the Jiuguang brand by using online social media platforms, such as Xiaohongshu and Douyin, with live streaming and video clips to promote Jiuguang's online shopping business. More importantly, the Group will make good use of online marketing means to enhance and complement its offline sales by drawing customers into its physical stores.

In addition, the Group will spare no effort to leasing out its office space at the Shanghai Jiuguang Center with an aim to bring stable cash flow to the Group in the foreseeable future.

In conclusion, the Chinese economy as a whole will continue its growth trajectory and that the retail market outlook remains cautiously optimistic, against the backdrop of a challenging global economy. Leveraging the well-endorsed Jiuguang brand and a professional management team, the Group will strengthen its marketing efforts to ensure steady development of its business. Meanwhile, the Group will continue to look for investment opportunities with promising potential to help realizing its long-term growth and to deliver sustainable returns to shareholders.

EMPLOYEES

As at 30 June 2024, the Group employed a total of 1,104 employees, with 1,098 stationed in the Chinese Mainland and 6 in Hong Kong. Staff costs (excluding directors' emoluments) amounted to RMB106.8 million (2023: RMB99.9 million) for the six months ended 30 June 2024. The Group ensures that the pay levels of its employees are competitive and in line with the market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the six months ended 30 June 2024, except the following deviation:

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2024 have been reviewed by the audit committee of the Company, and by the auditor of the Company in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

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

Hong Kong, 8 August 2024

As at the date of this announcement, the Board comprises Mr. Lau Luen Hung, Thomas, Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors; 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.