# 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)**

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

**HIGHLIGHTS**

| | 2019 | 2018 (Restated) | Change |
|---|---|---|---|
| Turnover (*HK$ millions*) | 2,103.3 | 2,142.4 | -1.8% |
| Profit attributable to owners of the Company (*HK$ millions*) | 1,286.1 | 888.1 | +44.8% |
| Earnings per share (HK$) | 0.856 | 0.554 | +54.5% |
| Interim cash dividend (HK cents) | 30.0 | 29.5 | +1.7% |

## INTERIM RESULTS

The board of directors ("Board") of Lifestyle International Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019, together with comparative figures for the corresponding period in 2018 (restated) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2019**

| | Notes | Six months ended 30 June **2019** *HK$'000* (Unaudited) | 2018 *HK$'000* (Unaudited) (Restated) |
|---|---|---|---|
| Turnover | *3* | **2,103,333** | 2,142,399 |
| Cost of sales | *4* | **(546,425)** | (565,175) |
| Gross profit | | **1,556,908** | 1,577,224 |
| Other income, gains and losses | | **75,911** | 36,114 |
| Selling and distribution costs | | **(375,708)** | (345,054) |
| Administrative expenses | | **(64,564)** | (64,011) |
| Interest and investment gains (losses) | *5* | **427,015** | (56,225) |
| Fair value changes on investment properties | | **26,360** | 106,000 |
| Finance costs | *6* | **(155,062)** | (133,927) |
| Profit before taxation | | **1,490,860** | 1,120,121 |
| Taxation | *7* | **(204,722)** | (232,021) |
| Profit for the period | *8* | **1,286,138** | 888,100 |
| **Other comprehensive expense** | | | |
| *Items that will not be reclassified to profit or loss:* | | | |
| Fair value loss on equity instruments at fair value through other comprehensive income | | **(8,696)** | - |
| Other comprehensive expense for the period | | **(8,696)** | - |
| Total comprehensive income for the period | | **1,277,442** | 888,100 |
| Earnings per share | *10* | | |
| - Basic | | **HK$0.856** | HK$0.554 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 30 JUNE 2019**

| | *Notes* | **30 June 2019** **HK$'000** **(Unaudited)** | 31 December 2018 *HK$'000* (Audited) |
|---|---|---|---|
| Non-current assets | | | |
| Investment properties | | **5,440,000** | 5,132,000 |
| Property, plant and equipment | | **5,865,798** | 5,876,308 |
| Right-of-use assets | | **316,316** | - |
| Equity instruments at fair value through other comprehensive income | *11* | **502,501** | - |
| Deposits paid for acquisition of property, plant and equipment | | **40,319** | 28,715 |
| Club debentures | | **19,137** | 19,137 |
| | | **12,184,071** | 11,056,160 |
| Current assets | | | |
| Inventories | | **59,077** | 44,783 |
| Trade and other receivables | *12* | **231,911** | 189,569 |
| Financial assets at fair value through profit or loss | *13* | **3,493,751** | 3,080,999 |
| Time deposits | | **4,386,109** | 4,782,877 |
| Bank balances and cash | | **1,410,912** | 1,413,115 |
| | | **9,581,760** | 9,511,343 |
| Current liabilities | | | |
| Trade and other payables | *14* | **786,337** | 1,046,371 |
| Contract liabilities | | **160,886** | 153,496 |
| Lease liabilities | | **67,165** | - |
| Tax payable | | **410,046** | 290,459 |
| Bank borrowings – due within one year | | **3,635,424** | 3,099,958 |
| Financial liabilities at fair value through profit or loss | *13* | **-** | 3,773 |
| | | **5,059,858** | 4,594,057 |
| Net current assets | | **4,521,902** | 4,917,286 |
| Total assets less current liabilities | | **16,705,973** | 15,973,446 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - (Continued)**
**AT 30 JUNE 2019**

| | 30 June 2019 *HK$'000* (Unaudited) | 31 December 2018 *HK$'000* (Audited) |
|---|---|---|
| Non-current liabilities | | |
| Bank borrowings – due after one year | **7,877,820** | 8,114,291 |
| Bonds – due after one year | **4,648,185** | 4,656,499 |
| Lease liabilities | **252,910** | - |
| Deferred tax liabilities | **273,941** | 271,272 |
| | **13,052,856** | 13,042,062 |
| | **3,653,117** | 2,931,384 |
| Capital and reserves | | |
| Share capital | **7,510** | 7,510 |
| Reserves | **3,645,607** | 2,923,874 |
| | **3,653,117** | 2,931,384 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The acquisition of Global Top Limited ("Global Top") in 2018 has been accounted for using merger accounting, comparative figures in 2018 have been restated.

The effect of restatements on the condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018 by line items is as follows:

| | Six months ended 30 June 2018 HK$'000 (Originally stated) | Global Top HK$'000 | Adjustments/ Eliminations HK$'000 | Six months ended 30 June 2018 HK$'000 (Restated) |
|---|---|---|---|---|
| Turnover | 2,112,795 | 35,667 | (6,063) | 2,142,399 |
| Cost of sales | (555,074) | (10,101) | - | (565,175) |
| Gross profit | 1,557,721 | 25,566 | (6,063) | 1,577,224 |
| Other income, gains and losses | 36,489 | (375) | - | 36,114 |
| Selling and distribution costs | (334,298) | (16,626) | 5,870 | (345,054) |
| Administrative expenses | (63,922) | (89) | - | (64,011) |
| Interest and investment losses | (56,225) | - | - | (56,225) |
| Fair value changes on investment properties | 108,000 | - | (2,000) | 106,000 |
| Finance costs | (133,927) | - | - | (133,927) |
| Profit before taxation | 1,113,838 | 8,476 | (2,193) | 1,120,121 |
| Taxation | (230,984) | (1,399) | 362 | (232,021) |
| Profit and total comprehensive income for the period | 882,854 | 7,077 | (1,831) | 888,100 |

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| HKFRS 16 | Leases |
| HK(IFRIC)-Int 23 | Uncertainty over Income Tax Treatments |
| Amendments to HKFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to HKAS 19 | Plan Amendment, Curtailment or Settlement |
| Amendments to HKAS 28 | Long-term Interests in Associates and Joint Ventures |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2015-2017 Cycle |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES - (Continued)

***Impacts and changes in accounting policies from application of HKFRS 16 Leases***

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

*Transition and summary of effects arising from initial application of HKFRS 16*

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any restoration and reinstatement costs by applying HKFRS 16 C8 (b) (ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 3.50%.

| | HK$'000 |
|---|---|
| Operating lease commitments disclosed as at 31 December 2018 | 390,807 |
| Lease liabilities discounted at relevant incremental borrowing rates and relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019 | 353,008 |
| Analysed as | |
| Current | 65,989 |
| Non-current | 287,019 |
| | 353,008 |

The carrying amount of right-of-use assets as at 1 January 2019 comprised the following:

| | Right-of-use assets<br>HK$'000 |
|---|---|
| Right-of-use assets relating to operating leases recognised upon application of HKFRS 16 | 353,008 |
| Amount included in property, plant and equipment under HKAS 17 | |
| - Restoration and reinstatement costs (Note) | 5,464 |
| | 358,472 |
| By class: | |
| Buildings | 358,472 |

Note:

In relation to the leases of properties that the Group acts as lessee, the carrying amount of the estimated costs of reinstating the rented premises previously included in property, plant and equipment amounting to HK$5,464,000 as at 1 January 2019 were reclassified as right-of-use assets.

2. **PRINCIPAL ACCOUNTING POLICIES - (Continued)**

***Impacts and changes in accounting policies from application of HKFRS 16 Leases - (Continued)***

*Transition and summary of effects arising from initial application of HKFRS 16 - (Continued)*

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

| | Carrying amounts previously reported as at 31 December 2018 HK$'000 | Adjustments HK$'000 | Carrying amounts under HKFRS 16 as at 1 January 2019 HK$'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | 5,876,308 | (5,464) | 5,870,844 |
| Right-of-use assets | - | 358,472 | 358,472 |
| **Current Liabilities** | | | |
| Lease liabilities | - | (65,989) | (65,989) |
| **Non-current Liabilities** | | | |
| Lease liabilities | - | (287,019) | (287,019) |

## 3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold by the Group to outside customers (net of discounts), income from concessionaire sales, income from "After Purchase Order" ("APO") sales, service income and rental income during the period, and is analysed as follows:

Disaggregation of revenue from goods and service

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| **Types of goods or service** | | |
| Sales of goods – direct sales | **749,541** | 771,026 |
| Income from concessionaire sales | **999,240** | 1,024,767 |
| Income from APO sales | **263,486** | 264,583 |
| Service income | **69,909** | 62,430 |
| Total goods and service (under HKFRS 15) | **2,082,176** | 2,122,806 |
| Rental income (under HKFRS 16/ HKAS 17) | **21,157** | 19,593 |
| | **2,103,333** | 2,142,399 |
| **Timing of revenue recognition** | | |
| At point in time | | |
| - Sales of goods - direct sales | **749,541** | 771,026 |
| Over time | | |
| - Income from concessionaire sales | **999,240** | 1,024,767 |
| - Income from APO sales | **263,486** | 264,583 |
| - Service income | **69,909** | 62,430 |
| | **1,332,635** | 1,351,780 |
| Rental income | **21,157** | 19,593 |
| | **2,103,333** | 2,142,399 |

All the above turnover is derived from Hong Kong.

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, property development and investment in Hong Kong. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies that conform to HKFRSs, that are regularly reviewed by the chief operating decision makers ("CODM") (i.e. the executive directors 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 level information is prepared.

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

## 4. COST OF SALES

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| The cost of sales are analysed as follows: | | |
| Cost of goods sold - direct sales | **546,425** | 565,175 |

## 5. INTEREST AND INVESTMENT GAINS (LOSSES)

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Interest income on bank deposits | **92,554** | 73,735 |
| Dividend income from financial assets at fair value through profit or loss ("FVTPL") | **29,083** | 33,316 |
| Interest income from financial assets at FVTPL | **30,895** | 278 |
| Change in fair value of financial assets/liabilities at FVTPL | **274,483** | (163,554) |
| | **427,015** | (56,225) |

## 6. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Interest on: | | |
| Bank borrowings | **161,194** | 123,380 |
| Bonds | **105,895** | 105,580 |
| Lease liabilities | **6,178** | - |
| | **273,267** | 228,960 |
| Less: Amounts capitalised in construction in progress and investment properties under development | **(118,205)** | (95,033) |
| | **155,062** | 133,927 |

Borrowing costs capitalised are interest expenses incurred for financing the development of qualifying assets specifically. The capitalisation rate of borrowings is 3.06% (for the six months ended 30 June 2018: 2.58%).

## 7. TAXATION

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Hong Kong Profits Tax: | | |
| Current tax | **202,053** | 212,415 |
| Deferred tax charge | **2,669** | 19,606 |
| | **204,722** | 232,021 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

## 8. PROFIT FOR THE PERIOD

| | Six months ended 30 June | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| | | (Restated) |
| Profit for the period has been arrived at after charging : | | |
| Depreciation of property, plant and equipment | **95,546** | 89,833 |
| Depreciation of right-of-use assets | **42,156** | - |

## 9. DIVIDENDS

During the current interim period, a final dividend of HK cents 37.0 per share in respect of the year ended 31 December 2018 (2018: HK cents 34.3 per share in respect of the year ended 31 December 2017) was declared and paid to the owners of the Company. The amount of the final dividend declared and paid in the current interim period amounted to HK$555,709,000 (2018: HK$549,687,000).

Subsequent to the end of the interim period, the board of directors has declared that an interim dividend of HK cents 30.0 (2018: HK cents 29.5) in cash per share will be paid to the owners of the Company whose names appear on the register of members on 6 September 2019.

## 10. EARNINGS PER SHARE

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2019** | 2018 |
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Earnings** | | |
| Profit for the period attributable to owners of the Company for the purpose of basic earnings per share | **1,286,138** | 888,100 |

| | **30 June 2019** | 30 June 2018 |
|---|---|---|
| | **'000** | '000 |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,501,916** | 1,602,371 |

No diluted earnings per share are presented as there were no dilutive potential ordinary shares during both periods.

## 11. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **30 June 2019** |
|---|---|
| | ***HK$'000*** |
| Listed investments: | |
| - Equity securities listed in London | **112,001** |
| Unlisted investments: | |
| - Equity securities | **390,500** |
| | **502,501** |

Note:

The listed investments represent investment in ordinary shares of entities listed in London and the unlisted investments represent investment in equity securities in a Hong Kong private entity. These investments are held for long-term strategic purposes. The directors of the Company have elected to designate these investments as equity instruments at fair value through other comprehensive income as they consider that recognising short-term fluctuations in fair value of these investments in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their potential capital appreciation in the long run.

## 12. TRADE AND OTHER RECEIVABLES

| | **30 June 2019** | 31 December 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | | |
| - goods and services (under HKFRS 15) | **80,138** | 89,421 |
| Prepayments | **20,034** | 24,892 |
| Deposit paid | **36,646** | 37,081 |
| Interest receivables | **94,911** | 34,300 |
| Others | **182** | 3,875 |
| | **231,911** | 189,569 |

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments. Its major trade receivables arising from credit card sales are normally settled in one or two business days in arrears.

## 12. TRADE AND OTHER RECEIVABLES - (Continued)

The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date.

| | **30 June 2019** *HK$'000* | 31 December 2018 *HK$'000* |
|---|---|---|
| 0 – 30 days | **67,179** | 86,079 |
| 31 – 60 days | **6,873** | 3,276 |
| 61 – 90 days | **1,855** | 59 |
| Over 90 days | **4,231** | 7 |
| | **80,138** | 89,421 |

## 13. FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **30 June 2019** *HK$'000* | 31 December 2018 *HK$'000* |
|---|---|---|
| Financial assets at FVTPL: | | |
| - Equity securities listed in Hong Kong | **1,048,561** | 814,245 |
| - Equity securities listed overseas | **828,792** | 922,514 |
| - Listed debt securities | **1,437,107** | 434,833 |
| - Listed investment funds | **-** | 455,275 |
| - Unlisted securities | **161,751** | 441,099 |
| - Written put options | **-** | 12,880 |
| - Unlisted equity-linked notes | **14,752** | - |
| - Interest rate swap | **-** | 153 |
| - Currency swaps | **2,788** | - |
| | **3,493,751** | 3,080,999 |
| Financial liabilities at FVTPL: | | |
| - Interest rate swap | **-** | 265 |
| - Currency swaps | **-** | 3,508 |
| | **-** | 3,773 |

## 14. TRADE AND OTHER PAYABLES

| | 30 June 2019 HK$'000 | 31 December 2018 HK$'000 |
|---|---|---|
| Trade payables | **56,217** | 72,082 |
| Construction payables | **37,142** | - |
| APO sales payables | **83,485** | 126,659 |
| Concessionaire sales payables | **301,520** | 540,500 |
| Rental deposits received | **16,189** | 16,831 |
| Accrued expenses | **231,576** | 224,967 |
| Interest payables | **34,827** | 37,956 |
| Others | **25,381** | 27,376 |
| | **786,337** | 1,046,371 |

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

| | 30 June 2019 HK$'000 | 31 December 2018 HK$'000 |
|---|---|---|
| 0 – 30 days | **8,552** | 46,376 |
| 31 – 60 days | **41,509** | 23,114 |
| 61 – 90 days | **1,693** | 777 |
| Over 90 days | **4,463** | 1,815 |
| | **56,217** | 72,082 |

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 settled within the credit timeframe.

## INTERIM DIVIDEND

The Board has declared an interim dividend of HK$0.3 per share (2018: HK$0.295 per share) to shareholders whose names appear on the register of members of the Company on Friday, 6 September 2019. The interim dividend will be payable on Thursday, 19 September 2019.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 6 September 2019, on which date no transfer of shares will be registered. In order to qualify for the interim dividend, 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 Thursday, 5 September 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Retail Market Overview

The global economy, beset with mounting China-US trade tensions and political uncertainties, witnessed easing growth momentum during the first half of 2019.

During the period under review, China's growth decelerated to its slowest pace in nearly three decades, as lingering trade dispute and softening global demand weighed on the world's second largest economy. China's gross domestic product rose 6.2% year-on-year, within the government's target range of "6%-6.5%" for the whole year, but down from an expansion of 6.4% in the first quarter of 2019 and slowed from the 6.6% growth in 2018. Total retail sales of consumer goods in China expanded 8.4% year-on-year, shirking from a 9.4% increase in the first half of 2018.

Hong Kong, the Group's home market, saw its growth slow in the first half of 2019 amid external headwinds and financial market volatility. Hong Kong's GDP slowed to 0.6%, comparing with a 4% growth in the same period last year. Retail spending fell despite strong growth in tourist arrivals as global economic uncertainties and political unrests took a toll on the consumer sentiment. Visitor arrivals to Hong Kong rose 13.9% to 34.9 million visitors in aggregate for the first half of 2019 with visitations from mainland China reporting a 16.4% increase. Yet, a weaker Chinese yuan weighed on the spending by mainland tourists. For the first half of 2019, retail sales in Hong Kong fell 2.6% year-on-year, compared with an increase of 13.4% in the same period of 2018.

Despite the challenging operating environment, the Group stayed focused on implementing shrewd business strategies anchored on strong brand equity, top-notch customer experience and effective marketing campaigns with a view of bringing long-term profitable growth to the Group.

## Financial Review

### Turnover and Sales Proceeds

For the period under review, the Group's department store operations saw its turnover decreased by 1.8% over the same period last year, while total gross sales proceeds, derived from both direct, After Purchase Order ("APO") and concessionaire sales transactions, was down by 2.4%, which slightly outperformed the broader market that saw a 2.6% decline. The decline in turnover of the Group was mainly due to decrease in direct sales of approximately 2.8% and that commission income derived from concessionaire sales saw a drop of approximately 2.4%.

### Gross Profit and Gross Profit Margin

The Group's gross profit margin as a percentage of turnover remained stable at around 74.0% as comparing to 73.6% for the same period in 2018. On the other hand, the gross profit margin as a percentage of sales proceeds edged up slightly to 27.5% from 27.2% in 2018. Gross profit amounted to HK$1,556.9 million, down 1.3% from HK$1,577.2 million in 2018, mainly due to a drop in aggregate sales proceeds.

### Net Profit Attributable to Shareholders

Net profit attributable to owners of the Company for the period amounted to HK$1,286.1 million, up 44.8% from HK$888.1 million in 2018. The increase was primarily a result of a positive investment income of HK427.0 million being recorded during the period under review whereas it was an investment loss of HK$56.2 million for the same period last year, resulting from the fair value loss on the Group's financial investments. The net profit attributable to the Group's core operations (before the investment income/loss and exchange gains/losses, interest charges and fair value change of investment property) amounted to HK$981.3 million, down 2.7% from HK$1,008.8 million in the same period last year, primarily as a result of a slight drop in sales revenue amid weaker retailing environment as comparing to the same period last year.

### Selling and Distribution Costs

The aggregate selling and distribution costs of the Group increased 8.9% over the same period last year and represented 6.6% (2018: 6.0%) of total gross sales proceeds. The increase in both absolute sum and as a percentage of sales proceeds was mainly a result of an increase in turnover-based rental expenses in respect of the Tsim Sha Tsui store as its sales increased. The increase was also due to higher depreciation charge in respect of leasehold improvements and other fixed assets resulting from the enhancement works of the Causeway Bay store in the past few years.

**Administrative Expenses**

The Group's general administrative expenses saw only a small increase of 0.9% to approximately HK$64.6 million when compared to the same period in 2018 and represented 1.1% (2018: 1.1%) of total gross sales proceeds. The expense level was considered to be stable and in line with the Group's operations.

**Other Income, Gains and Losses**

These comprise mainly management fee, credit card charges and other miscellaneous incomes received from the counters and tenants, other sundry incomes and exchange gain or loss. Increase in other income, gains and losses of the Group during the period was mainly attributable to an exchange gain to the tune of HK$10.9 million whereas it was an exchange loss of HK$19.1 million in 2018, arising from translating the Group's USD denominated bonds payable as the USD has been weakening against the HKD since the beginning of the year.

**Investment Income**

For the first half of 2019, the Group recorded a net investment income of HK$427.0 million, comparing to a net investment loss of HK$56.2 million for the same period in 2018. Investment income comprised mainly interest income to the tune of HK$92.6 million from the Group's bank deposits and net investment gain of HK$334.4 million, which consisted of fair value changes, interest and investment income received and receivable, and dividend income from a portfolio of financial assets. As at 30 June 2019, the Group's financial investment portfolio amounted to an aggregate of approximately HK$3,996.3 million.

**Finance Costs**

The Group's total finance cost consisted mainly of finance charges and interest expenses on bank loans and bonds payable. The aggregate amount of finance costs and interest incurred, before capitalization, was approximately HK$273.3 million for the period under review (2018: HK$229.0 million), including HK$6.2 million interest on lease liabilities in respect of the adoption of new accounting standard, which was made effective at the beginning of the year. The overall increase was mainly due to higher interest expenses incurred in respect of the Group's Hong Kong dollar bank loans which interest calculation is linked to the HIBOR that has been rising in recent months. Finance costs charged to the profit and loss account during the period amounted to HK$155.1 million (2018: HK$133.9 million) after HK$118.2 million (2018: HK$95.0 million) of the borrowing costs relating to the Kai Tak Land has been capitalized.

**Liquidity and Financial Resources**

The Group's EBITDA for the period under review was largely stable at HK$1,291.1 million (2018: HK$1,294.1 million). As at 30 June 2019, before counting the financial investment portfolio which was valued at approximately HK$3,996.3 million (31 December 2018: HK$3,077.2 million), the Group's net debt increased from approximately HK$9,674.8 million as at 31 December 2018 to HK$10,364.4 million.

As at 30 June 2019, the Group's cash at banks and time deposits amounted to approximately HK$5,797.0 million (31 December 2018: HK$6,196.0 million). Of the cash kept at banks in Hong Kong, approximately 99.3% was denominated in US dollar ("US$") and Hong Kong dollar ("HK$") and approximately 0.7% was in Renminbi ("RMB") and other currencies.

As at 30 June 2019, the Group's outstanding bank loans amounted to approximately HK$11,513.2 million (31 December 2018: HK$11,214.2 million) and bonds payable amounted to approximately HK$4,648.2 million (31 December 2018: HK$4,656.5 million). The bank loans comprised HK$4,750 million term loan and HK$2,500 million revolving loan drawn under the Hong Kong dollar denominated five-year (due July 2021) HK$8,000 million secured loan facility, which interest is calculated with reference to HIBOR. The HK$4,750 million term loan is repayable semi-annually over the loan life, with the first repayment started in January 2019. The outstanding bank loans at 30 June 2019 consisted of also a term loan of HK$3,691 million drawn under the HK$9,000 million project loan facility for financing payment of part of the land premium of the Kai Tak Land. This HK$9,000 million project loan facility bear interest calculated with reference to HIBOR and does not require repayment until the end of the 5-year term in the year 2022. The remaining bank loans represented short-term US dollar-denominated loans totaling US$81.8 million (equivalent to HK$638.5 million) drawn under an aggregate US$320 million loan facilities, which are secured against certain of the Group's financial investments, with interest calculated either with reference to LIBOR or at fixed rate of 3% per annum.

As at 30 June 2019, the Group had aggregate unutilized banking facilities in the amount equivalent to approximately HK$7,669.7 million (31 December 2018: HK$7,702.0 million).

The bonds payable of HK$4,648.2 million (US$600 million at maturity) at 30 June 2019 (31 December 2018: US$600 million at maturity) comprised a US$300 million 10-year (bearing interest at 4.25% and maturing in October 2022) and a US$300 million 10-year (bearing interest at 4.5% and maturing in June 2025) unsecured guaranteed bonds.

As at 30 June 2019, the Group's net debt to equity ratio (defined as total borrowings less cash and bank balances divided by equity attributable to the owners of the Company) was 283.7% (31 December 2018: 330.0%). The apparently abnormally high gearing was due to the fact that the Group's self-owned store property in Causeway Bay, Hong Kong is stated at historical cost less depreciation and amortization thereby its fair market value has not been taken into account in the calculation of the equity attributable to owners of the Company.

**Foreign Exchange Management**

The functional currency of the Company and its major subsidiaries is Hong Kong dollar, in which most of the transactions are denominated. As described under the "Liquidity and Financial Resources" section above, certain monetary assets and liabilities of the Group are denominated in US$ and, to a small extent, other foreign currencies. The Group currently does not require a sophisticated and comprehensive foreign currency hedging policy as Hong Kong dollar, in which most of the Group's transactions are denominated, is pegged to the US$ in which certain of the Group's borrowings are denominated. Accordingly, the Group's exposure to foreign currency fluctuation to a certain extent is somewhat limited.

**Pledge of Assets**

As at 30 June 2019, certain of the Group's leasehold land and buildings in Hong Kong with carrying values aggregating approximately HK$1,194.7 million (31 December 2018: HK$1,217.4 million), together with shares of certain subsidiaries of the Group, were pledged to secure the HK$7,750 million (31 December 2018: HK$8,000 million) outstanding loan facility granted to the Group, of which HK$7,250 million (31 December 2018: HK$7,000 million) was utilized.

In addition, the entire Kai Tak Project, comprising the land under development and investment property under development, with an aggregate carrying value of HK$9,575.7 million (31 December 2018: HK$9,185.7 million) was pledged to secure the HK$9,000 million loan facility granted to the Group for financing the development of the Kai Tak Project, of which HK$3,691.0 million was utilized as at the period end. Moreover, certain of the Group's financial assets at fair value through profit or loss/ other comprehensive income with carrying value amounting to approximately HK$1,892.8 million (31 December 2018: HK$1,256.7 million) were pledged to secure loan facilities in the amount of approximately US$320 million (31 December 2018: US$255 million).

**Contingent Liabilities**

The Group did not have any material contingent liabilities as at 30 June 2019.

**Material Acquisitions and Disposals**

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

**Event After Reporting Period**

Subsequent to the period end, the Group issued a 5-year unsecured guaranteed bond in the amount of US$300 million on 8 July 2019. The bond bears interest at 4.875% per annum and matures in July 2024.

**Review of Operations**

For the first half of 2019, while the retailing market in Hong Kong generally grappled with sluggish consumer confidence stemming from volatile equity market and macro headwinds, the Group still managed to outperform the broader market, thanks to the Group's strong brand equity and seasoned leadership.

**SOGO CWB**

As China's economic slowdown and global political uncertainties casted a damper on the consumer spending, SOGO Causeway Bay ("SOGO CWB") recorded a 4.8% decline in sales revenue for the period under review. The overall traffic footfall decreased 3.7% with the stay-and-buy ratio dropped by 0.4 percentage point from the same period last year to 34.3%. Meanwhile, the average ticket size of the store remained stable at approximately HK$910. The anti-extradition protests that took place in June also played a part in bringing down the traffic footfall and sales revenue of the store.

Leveraging on the Group's dynamic marketing strategies and distinguished shopping experience, the SOGO Rewards program continued to gain traction, with members increased to 657,000 as at 30 June 2019. The program has helped keeping customers engaged and reinforced the Group's brand equity. Sales revenue from members of the SOGO Reward program accounted for 55% of the total sales revenue of the store during the period, up from 52% for the full year in 2018. The Group will further enhance features of the loyalty program in order to further improve interaction and engagement with customers to increase sales productivity of the stores.

For the period under review, the Group implemented effective sales promotions strategies and enhanced online shopping services to the iconic SOGO "Thankful Week" event which was repeatedly well received by shoppers.

In addition, CVISION, the outdoor full-HD LED advertising screen at the building façade of SOGO CWB that the Group launched in late 2017, has proven to be an effective advertising platform and has further reinforced our flagship store's position as a prominent retail landmark in Hong Kong.

**SOGO TST**

Albeit sluggish retail sentiment, SOGO Tsim Sha Tsui ("SOGO TST") continued to deliver solid performance with a 9.5% increase in sales revenue during the period under review as the store has established itself as a popular shopping destination for tourists. Cosmetics and skin care products remained the leading growth driver for the SOGO TST and saw 14.3% growth in sales during the period under review. SOGO TST sustained its robust growth momentum with both average ticket size and traffic footfall increased as comparing to the same period last year. The May Thankful Week event at SOGO TST drew overwhelming responses from shoppers and once again achieved record high sales revenue.

**Wa San Mai**

Wa San Mai restaurant, which was acquired by the Group in July 2018, contributed aggregate sales revenue of approximately HK$34.3 million for the period under review, representing a 3.9% decline as comparing to the same period last year, again due to the sluggish retailing environment and impact from the protests as this single-shop Japanese restaurant is operated in the same building where the Group operates its flagship department store in Causeway Bay.

**Kai Tak Project**

To capture the rising purchasing power and untapped customer base in the East Kowloon area, which will be bolstered by a government supported redevelopment plan as well as increasing accessibility brought about by the upcoming Kai Tak Station of the new Shatin-Central Link, the Group through government tender on 23 November 2016 acquired a plot of land in Kai Tak — East Kowloon, at a price of HK$7,388 million.

With a site area of approximately 14,159 square metres, the Group's Kai Tak Land will be developed into two blocks of commercial buildings to provide space for both retailing and office use, with a total gross floor area of approximately 101,000 square metres. The retailing portion is planned to house a full-fledged department store and other facilities complementary to the operations of a department store as well as to use for the operation of a shopping mall and other entertaining and dining facilities, and the office space will be divided partly for self-use and partly for leasing out for rental income. The proposed development is expected to be completed by 2022, and it is believed that this Kai Tak Project will be able to create a landmark position in the new Kai Tak development and East Kowloon area and will further broaden and solidify the Group's presence in the Hong Kong retailing market.

Since the ground-breaking works commenced in December 2017, the construction has been progressing satisfactorily and the Group aims to complete the excavation and foundation construction work in early 2020.

### Outlook and Plan

Looking ahead, the Group believes that the outlook for Hong Kong's retail sector is set for a challenging second half of the year as geopolitical tussles and waning global growth momentum further undermines business confidence and dampens consumer spending across the globe.

Whilst prolonged China-US trade tensions and heightened economic uncertainties would pose challenges towards the Hong Kong economy, the city's ongoing political and social unrest will cause further damage to the local economy, souring consumers' appetites and suppressing investor sentiments in both the property and stock markets. Moreover, the anticipated weakening of the Chinese currency would also weigh upon inbound tourism and the spending of Chinese tourists.

Nevertheless, as a prominent department store operator with solid brand equity and a loyal customer base, the Group remains committed towards our mission of servicing our customers by providing them with a compelling range of products and services within a continuously enhanced shopping environment. We continue to work upon deepening our customer engagement, which will allow us to further devise strategies that cater to the increasingly refined and diversified needs of our shoppers.

With the view of generating better returns for our shareholders and sustaining long-term profitable growth, the Group maintains its open stance towards strategic investment and synergistic business opportunities.

## EMPLOYEES

As at 30 June 2019, the Group maintained a fulltime workforce of 669 employees. Staff costs (excluding directors' emoluments) amounted to HK$114.4 million (2018: HK$113.9 million) for the six months ended 30 June 2019. 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. The share option scheme of the Company as approved by shareholders in March 2009 expired in March 2019 and no option had been granted to the directors or employees of the Group to subscribe for the shares of the Company during the period under review.

## 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 six months ended 30 June 2019.

## CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2019.

## REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2019 have been reviewed by the audit committee, and by the auditors of the Company in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

## ACKNOWLEDGEMENT

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

On behalf of the Board
**Lifestyle International Holdings Limited**
**Lau Kam Shim**
*Executive Director*

Hong Kong, 12 August 2019

*As at the date of this announcement, the Board comprises Mr. Lau Kam Sen and Ms. Lau Kam Shim as executive directors; Mr. Lau Luen Hung, Thomas, Mr. Doo Wai Hoi, William and Ms. Lau Yuk Wai, Amy as non-executive directors; and Mr. Lam Siu Lun, Simon, The Hon. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung as independent non-executive directors.*