Lifestyle International Holdings Ltd.
利 福 國 際 集 團 有 限 公 司

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 2020

HIGHLIGHTS

	2020	2019	Change
Revenue (*HK$ millions*)	942.0	2,103.3	-55.2%
(Loss)/profit attributable to owners of the Company (*HK$ millions*)	(226.9)	1,286.1	-117.6%
(Losses)/earnings per share *(HK$)*	(0.151)	0.856	-117.6%
Interim cash dividend *(HK cents)*	-	30.0	N/A

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 2020, together with comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Six months ended 30 June **2020** *HK$'000* **(Unaudited)**	2019 *HK$'000* (Unaudited)
Revenue	*3*	**942,011**	2,103,333
Cost of sales		**(238,739)**	(546,425)
Gross profit		**703,272**	1,556,908
Other income, gains and losses		**118,948**	75,911
Selling and distribution costs		**(282,351)**	(375,708)
Administrative expenses		**(55,929)**	(64,564)
Interest income and investment (losses)/gains	*4*	**(302,529)**	427,015
Fair value changes on investment property		**(179,661)**	26,360
Finance costs	*5*	**(204,738)**	(155,062)
(Loss)/profit before taxation		**(202,988)**	1,490,860
Taxation	*6*	**(23,922)**	(204,722)
(Loss)/profit for the period	*7*	**(226,910)**	1,286,138
(Loss)/profit for the period attributable to owners of the Company		**(226,910)**	1,286,138
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Fair value loss on financial assets at fair value through other comprehensive income		**(291,894)**	(8,696)
Other comprehensive expense for the period (net of tax)		**(291,894)**	(8,696)
Total comprehensive (expense)/income for the period attributable to owners of the Company		**(518,804)**	1,277,442
(Losses)/earnings per share attributable to owners of the Company - Basic and diluted	*9*	**(HK$0.151)**	HK$0.856

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	**30 June 2020** *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Non-current assets			
Investment property		**5,480,000**	5,420,000
Property, plant and equipment		**6,419,875**	6,291,532
Financial assets at fair value through other comprehensive income	*10*	**945,789**	633,121
Financial assets at fair value through profit or loss	*12*	**15,871**	15,871
Deposits	*11*	**79,899**	72,248
Deferred tax assets		**65,000**	-
		13,006,434	12,432,772
Current assets			
Inventories		**32,747**	38,615
Trade and other receivables	*11*	**79,242**	102,811
Financial assets at fair value through profit or loss	*12*	**3,812,563**	3,306,082
Bank deposits		**186,000**	1,508,698
Cash and cash equivalents		**5,934,747**	7,112,561
		10,045,299	12,068,767
Current liabilities			
Trade and other payables	*13*	**737,955**	826,275
Contract liabilities		**141,067**	138,294
Lease liabilities		**85,943**	76,144
Tax payable		**127,911**	490,926
Bank borrowings – due within one year		**3,833,594**	4,070,966
Financial liabilities at fair value through profit or loss	*12*	**158,745**	12
		5,085,215	5,602,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2020

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Bank borrowings – due after one year	**7,404,528**	7,641,212
Bonds – due after one year	**6,830,916**	6,962,233
Lease liabilities	**165,678**	210,876
Deferred tax liabilities	**242,896**	243,297
	14,644,018	15,057,618
	3,322,500	3,841,304
Capital and reserves		
Share capital	**7,510**	7,510
Reserves	**3,314,990**	3,833,794
	3,322,500	3,841,304

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2020 ("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 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, except for the financial assets and liabilities at fair value through profit or loss/other comprehensive income and investment property, which are measured at fair value. 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 2019.

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

HKAS 1 and HKAS 8 (amendments)	Definition of material
HKAS 39, HKFRS 7 and HKFRS 9 (amendments)	Hedge accounting
HKFRS 3 (amendment)	Definition of a business
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
HKFRS 17	Insurance Contracts
HKFRS 10 and HKAS 28 (amendments)	Sale or contribution of assets between an investor and its associate or joint venture

The application of the new and amendments to HKFRSs and the interpretation 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 consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the amount received and receivable for goods sold by the Group to outside customers (net of discounts), 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	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or service		
Sales of goods – direct sales	**316,743**	749,541
Income from concessionaire sales	**441,663**	999,240
Income from APO sales	**133,512**	263,486
Service income	**32,142**	69,909
Revenue from contracts with customers	**924,060**	2,082,176
Rental income	**17,951**	21,157
	942,011	2,103,333
Timing of revenue recognition		
Recognised at a point in time:		
Sales of goods - direct sales	**316,743**	749,541
Recognised over time:		
Income from concessionaire sales	**441,663**	999,240
Income from APO sales	**133,512**	263,486
Service income	**32,142**	69,909
	607,317	1,332,635
Rental income	**17,951**	21,157
Total revenue	**942,011**	2,103,333

All the above revenue is derived from Hong Kong.

Segment information

The Group's operating activities are attributable to a single operating segment under HKFRS 8 "Operating Segments" which focuses on the 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. INTEREST INCOME AND INVESTMENT (LOSSES) / GAINS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**79,377**	92,554
Dividend income from financial assets at fair value through profit or loss ("FVPL")	**16,472**	29,083
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**2,323**	-
Interest income from financial assets at FVPL	**60,047**	30,895
Fair value change of financial assets/liabilities at FVPL	**(460,748)**	274,483
	(302,529)	427,015

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings	**163,553**	161,194
Bonds	**161,782**	105,895
Lease liabilities	**5,023**	6,178
	330,358	273,267
Less: amounts capitalised in construction in progress and investment property under development	**(125,620)**	(118,205)
	204,738	155,062

Borrowing costs capitalised are interest expenses incurred for financing the development of qualifying assets. The capitalisation rate used to determine the amounts of borrowing costs eligible for the capitalisation is 2.17% (for the six months ended 30 June 2019: 3.06%).

6. TAXATION

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
Current tax	**89,298**	202,053
Underprovision in prior years	**25**	-
Deferred tax (credit) / charge	**(65,401)**	2,669
	23,922	204,722

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

7. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit for the period has been arrived at after charging :		
Cost of inventories recognised as expenses	**238,739**	546,425
Depreciation of property, plant and equipment	**126,801**	137,702

8. DIVIDENDS

	Six months ended 30 June			
	2020	**2020**	2019	2019
	HK cents per share	**HK$'000**	HK cents per share	HK$'000
Dividends paid and recognised as distribution during the period:				
For prior year:				
- Final dividends	-	-	37	555,709

9. (LOSSES)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Losses)/earnings for the period attributable to owners of the Company		
(Losses)/earnings for the period attributable to owners of the Company	**(226,910)**	1,286,138

	30 June 2020	30 June 2019
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	**1,501,916**	1,501,916

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Basic and diluted (losses)/earnings per share	**(HK$0.151)**	HK$0.856

Diluted (losses)/earnings per share were the same as the basic (losses)/earnings per share as there were no dilutive equity instruments throughout the six months ended 30 June 2020 and 2019 respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 *HK$'000* **(Unaudited)**	**31 December 2019** *HK$'000* (Audited)
Non-current assets		
Financial assets at FVOCI:		
- Equity securities listed overseas	**558,289**	243,621
- Unlisted equity security	**387,500**	389,500
	945,789	633,121

Note:

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

At 30 June 2020, certain financial assets at FVOCI were pledged as security for short-term loan facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	30 June 2020 *HK$'000* **(Unaudited)**	31 December 2019 *HK$'000* (Audited)
Trade receivables	**25,328**	35,121
Prepayments	**25,353**	30,348
Deposit paid	**82,824**	75,095
Interest receivables	**10,426**	31,070
Others	**15,210**	3,425
	159,141	175,059
Less: Non-current portion	**(79,899)**	(72,248)
Current portion	**79,242**	102,811

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

11. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of expected credit loss presented based on invoice date.

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**22,698**	27,989
31 – 60 days	**2,616**	4,335
61 – 90 days	**14**	1,703
Over 90 days	**-**	1,094
	25,328	35,121

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

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current assets		
Financial assets at FVPL:		
- Club debentures	**15,871**	15,871
Current assets		
Financial assets at FVPL:		
- Equity securities listed in Hong Kong	**335,604**	756,990
- Equity securities listed overseas	**74,414**	750,450
- Listed debt securities	**2,631,454**	1,203,759
- Listed investment funds	**-**	111,960
- Unlisted hedge funds	**-**	18,666
- Unlisted investment funds	**318,292**	146,721
- Unlisted debt security	**233,430**	234,583
- Cross currency and interest rate swaps	**-**	51,738
- Unlisted equity-linked notes	**219,369**	31,215
	3,812,563	3,306,082
Current liabilities		
Financial liabilities at FVPL:		
- Written put options	**-**	12
- Interest rate swaps	**158,745**	-
	158,745	12

13. TRADE AND OTHER PAYABLES

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**50,971**	43,674
Construction payables	**55,078**	47,994
Concessionaire sales payables	**256,099**	347,085
APO sales payables	**87,723**	94,262
Rental deposits received	**14,748**	16,193
Accrued expenses	**170,946**	168,873
Interest payables	**80,544**	90,974
Others	**21,846**	17,220
	737,955	826,275

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

	30 June 2020	31 December 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**35,898**	16,128
31 – 60 days	**10,505**	23,996
61 – 90 days	**304**	2
Over 90 days	**4,264**	3,548
	50,971	43,674

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

MANAGEMENT DISCUSSION AND ANALYSIS

Retail Market Overview

The unprecedented outbreak of the novel coronavirus (COVID-19) pandemic and the subsequent global lockdown severely hit the world economy in the first half of 2020, reversing the fragile recovery into a sharp downturn as major economies round the globe struggled to reopen.

During the period under review, China's gross domestic product fell 1.6% year-on-year, but thanks to effective pandemic containment measures and economic stimulus, China has become the first economy to return to growth since the pandemic, with GDP rose 3.2% in the second quarter after a historic 6.8% contraction in the first three months of the year. However, domestic consumption remained sluggish with total retail sales of consumer goods in China dropped 11.4% year-on-year, compared to an 8.4% increase in the first half of 2019.

Hong Kong, the Group's home market, saw its economic recession deepened in the first half of 2020 as the COVID-19 pandemic seriously disrupted the external trade, consumption, especially tourists' spending, and business activities in the city. Hong Kong's GDP contracted by approximately 9% in the first half of 2020, comparing with a 0.5% growth in the same period last year. Retail spending plunged as social distancing measures severely dampened consumption-related activities and austere labor market conditions heavily weighed on consumer sentiment. Global lockdown also put the inbound tourism to a standstill. Visitor arrivals to Hong Kong plummeted 89.9% to 3.5 million visitors in aggregate for the first half of 2020 with visitations from mainland China reporting a 90.3% decline. For the first half of 2020, retail sales in Hong Kong dropped 33.3% year-on-year, compared with a decline of 2.6% in the same period of 2019.

In face of the daunting challenges posed by the global health and economic crisis like no other, the Group remained focused on further bolstering the resilience of its core business in order to preserve its long-term competitiveness and ensure sustainable development in a turbulent market.

Financial Review

Revenue and Sales Proceeds

For the period under review, the Group's department store operations saw its revenue decreased by 55.2% over the same period last year to HK$942.0 million, while total gross sales proceeds, derived from direct, After Purchase Order ("APO") and concessionaire sales transactions, was down by 53.5% to HK$2,631.5 million as a result of a significant fall in customer foot traffic at the stores of the Group during the period. The Group's 55.2% decrease in revenue for the period was made up by a drop in direct sales of approximately 57.7%, while commission income derived from APO and concessionaire sales reported a drop of approximately 54.4%.

Gross Profit and Gross Profit Margin

The Group's gross profit margin as a percentage of revenue edged up slightly to 74.7% from 74.0% in 2019 as the drop in concessionaire commission, which gross margin is theoretically 100%, was marginally less than the decline in direct sales. Gross profit amounted to HK$703.3 million, down 54.8% from HK$1,556.9 million in the same period of 2019 as sales revenue tumbled. The blended average concessionaire rate for the Group was down 1.5 percentage point to 23.5% from 25.0% last year, mainly a result of higher discounts given in terms of extra SOGO Rewards points to incentivize customer spending amid the unprecedented pandemic market situation when consumer sentiments are weak.

Net Loss/Profit Attributable to Shareholders

For the six months ended 30 June 2020, the Group recorded a net loss attributable to owners of the Company of HK$226.9 million, whereas it was a profit of HK$1,286.1 million in the corresponding period last year. The loss was mainly caused by a combination of (i) a 53.5% drop in sales revenue as a result of a significant fall in customer foot traffic at the stores of the Group following the COVID-19 outbreak since late January 2020; (ii) a mark-to-market fair value loss of HK$460.7 million recorded on the Group's financial investments; and (iii) a fair value loss of HK$179.7 million recorded on the Group's investment property. The net profit attributable to the Group's operations (before counting the fair value changes on financial assets/liabilities at fair value through profit or loss ("FA/L at FVPL") and investment property) would amount to HK$366.6 million, down 63.0% from a profit of HK$989.6 million in the same period last year, primarily a result of a plunge in sales revenue attributed to the sluggish consumer demand amid the pandemic.

Selling and Distribution Costs

The aggregate selling and distribution costs of the Group decreased 24.8% over the same period last year but represented 10.7% (2019: 6.6%) of total gross sales proceeds as the decline in sales proceeds was much higher. The decrease in absolute amount was mainly attributable to a significant drop in rental equivalent expenses for the TST store amid a substantial drop in sales revenue that only the fixed base rent was required to be paid during the period. The decrease in selling and distribution costs was also a result of the Group's cost tightening measures amid the pandemic situation.

Administrative Expenses

The Group's general administrative expenses decreased 13.4% as compared to the same period last year as the Group implemented further cost tightening measures during the period in view of the difficult operating environment.

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. Increase in other income, gains and losses of the Group during the period was mainly attributable to an exchange gain of HK$44.9 million, as compared to an exchange gain of HK$10.9 million in 2019, mainly arising from translating the Group's US dollar ("USD") denominated bonds payable as the USD has weakened further against the HKD since the beginning of the year.

Investment Loss/Income

For the first half of 2020, the Group recorded a net investment loss of HK$302.5 million, comparing to a net investment income of HK$427.0 million for the same period in 2019. Investment loss comprised mainly interest income of HK$79.4 million from the Group's bank deposits and net investment loss of HK$381.9 million, which consisted of fair value changes, interest and investment income received and receivable, and dividend income from a portfolio of financial assets and instruments. As at 30 June 2020, the Group's financial investment portfolio under current assets and current liabilities amounted to an aggregate of approximately HK$3,812.6 million and HK$158.7 million respectively.

Finance Costs

The Group's finance costs 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$330.3 million for the period under review (2019: HK$273.3 million). The overall increase was mainly due to payment of additional interest in respect of the USD300 million bonds issued in July 2019. Finance costs charged to the profit and loss account during the period amounted to HK$204.7 million (2019: HK$155.1 million) after HK$125.6 million (2019: HK$118.2 million) of the borrowing costs relating to the Kai Tak Land has been capitalized.

Liquidity and Financial Resources

The Group's EBITDA (excluding fair value changes on the Group's FA/L at FVPL, club debentures and investment property) for the period decreased 49.4% to HK$729.8 million (2019: HK$1,443.7 million). The decrease was mainly due to the fall in sales revenue during the period.

As at 30 June 2020, before counting the Group's FA/L at FVPL, which was valued at approximately HK$3,653.8 million (31 December 2019: HK$3,306.1 million), the Group's net debt (total borrowings less cash and cash equivalents and bank deposits) increased to HK$11,948.3 million from HK$10,053.2 million as at 31 December 2019. As at 30 June 2020, the Group's cash and cash equivalents and bank deposits amounted to approximately HK$6,120.7 million (31 December 2019: HK$8,621.3 million). Most of the cash kept at banks in Hong Kong was denominated in USD and Hong Kong dollar.

As at 30 June 2020, the Group's outstanding bank loans amounted to approximately HK$11,238.1 million (31 December 2019: HK$11,712.2 million) and bonds payable amounted to approximately HK$6,830.9 million (31 December 2019: HK$6,962.2 million). The bank loans comprised HK$4,250 million term loan and HK$3,000 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$4,250 million outstanding term loan is repayable semi-annually over the loan life, with the first repayment started back in January 2019. The Group's outstanding bank loans 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 July 2022. The remaining outstanding bank loans represented short-term USD loans totalling US$43.3 million (equivalent to HK$335.3 million) drawn under an aggregate US$340.0 million facilities, which are secured against certain of the Group's financial assets with interest being calculated with reference to LIBOR.

As at 30 June 2020, the Group had aggregate unutilized banking facilities in the amount of approximately HK$7,608.7 million (31 December 2019: HK$7,228.4 million).

The bonds payable of HK$6,831.0 million (US$887 million at maturity) at 30 June 2020 represented outstanding unsecured guaranteed bonds issued by the Group, which comprised a US$287 million 10-year (bearing interest at 4.25% and maturing in October 2022), a US$300 million 5-year (bearing interest at 4.875% and maturing in July 2024), and a US$300 million 10-year (bearing interest at 4.5% and maturing in June 2025).

As at 30 June 2020, the Group's net debt to equity ratio or net gearing (defined as total borrowings less cash and cash equivalents and bank deposits (before counting the Group's FA/L at FVPL) divided by equity attributable to owners of the Company) was 359.6% (31 December 2019: 261.7%). The relatively high level of net 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. The increase in the ratio was partly due to a decrease in the Group's cash balances and partly a result of a decrease in the investment revaluation reserves caused by the fair value loss of the Group's financial investments in two London listed equities, which are being accounted for as financial assets at fair value through other comprehensive income.

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 USD 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 USD 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 2020, certain of the Group's leasehold land and buildings in Hong Kong with carrying values aggregating approximately HK$1,149.3 million (31 December 2019: HK$1,172.0 million), together with shares of certain subsidiaries of the Group, were pledged to secure the HK$8,000 million (31 December 2019: HK$8,000 million) loan facility granted to the Group which was fully utilized (fully utilized as at 31 December 2019).

In addition, the entire Kai Tak Project, comprising the construction in progress and investment property under development, with an aggregate carrying value of HK$10,052.5 million (31 December 2019: HK$$9,762.2 million) was pledged to secure the HK$9,000 million loan facility granted to the Group for financing the Kai Tak Land acquisition and its construction, of which HK$3,691.0 million was utilized as at the period end (31 December 2019: HK$$3,691.0 million). Moreover, certain of the Group's financial assets at fair value through profit or loss with carrying value amounting to approximately HK$1,159.4 million (31 December 2019: HK$1,391.8 million) were pledged to secure loan facilities amounting to US$340.0 million (31 December 2019: US$320 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2020.

Material Acquisitions and Disposals

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

Review of Operations

The massive disruptions caused by the COVID-19 pandemic wreaked havoc on the already weak retail market in Hong Kong. Despite the challenging operating environment in the first half of 2020, the Group persistently enhanced customer engagement and improved its operational efficiency to mitigate the impacts of the pandemic and reinforce its foothold in the Hong Kong retail market.

SOGO CWB

As prolonged containment measures to halt the spread of COVID-19 brought about severe disruption to business operations and the associated economic uncertainties dampened consumer sentiment, sales at the flagship SOGO Causeway Bay ("SOGO CWB") tumbled 49.3% for the period under review.

The store's operations and operating hours were adjusted from time to time during the period under review to prioritize the safety of staff, customers and business partners. As a result of border shutdown and lower patronage by domestic consumers due to coronavirus fears, the traffic footfall saw a decrease of 46.0%, but the stay-and-buy ratio on the contrary increased by 5.8 percentage points to 40.1%. Average ticket-size (excluding transactions from the Freshmart supermarket) of the store fell 5.9% to HK$1,403.

To stay competitive in a rapidly changing retail scene amid the unprecedented health and economic crisis, the Group continued to enhance the mobile application of its SOGO Rewards Program and its SOGO eStore services during the period under review in order to entice customers with more personalized privileges and distinguished user experiences all at their fingertips.

With well-tailored promotions and seamless omnichannel shopping experiences, the store's SOGO 35th Anniversary Sale program was well received by shoppers and achieved satisfactory sales performance.

As the demand for airtime softened amid the deteriorating retailing environment, advertising income during the period from CVISION, the Group's outdoor full-HD LED advertising screen at the building façade of SOGO CWB, has also dropped by more than 50% as comparing to the same period last year.

SOGO TST

With compelling merchandise portfolio, SOGO Tsim Sha Tsui ("SOGO TST") had established itself as a sought-after shopping destination especially for tourists. However, with domestic consumption weakened by COVID-19 pandemic and Hong Kong's borders essentially closed to non-residents, sales at SOGO TST reversed its growth trend with sales plummeted 71.1% year-on-year in the first half of the year, compared with a 9.5% year-on-year increase in the same period last year. The months-long pandemic that started in late January has hit the city's inbound tourism badly and significantly affected the operations of SOGO TST. Similar to the CWB store, SOGO TST was also subject to a shortening of operating hours during certain periods and led to a drop in both the traffic footfall and stay-and-buy ratio during the period under review.

Wa San Mai

Located at the same building as our SOGO CWB, business of our Wa San Mai restaurant was also badly hit by the COVID-19 pandemic during the first half of the year, with its business receipts saw a decline of 35.1% year-on-year to approximately HK$22.2 million.

Kai Tak Project

With a site area of approximately 14,159 square metres, the Group's Kai Tak Land is being 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 Kai Tak retail complex is expected to be in business in 2023 and we believe that it 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.

Construction work of the Kai Tak Project has been delayed due to the ongoing pandemic but the foundation work has largely been completed. The Group will work closely with contractors with an aim to complete the project before 2023.

Outlook and Plan

Looking ahead, the Group maintains a deeply pessimistic outlook for Hong Kong's beleaguered retail sector in the second half of the year as immense uncertainties over the duration of the pandemic and the ensuing economic fallout would dent consumer sentiment and undermine business confidence. With Hong Kong currently experiencing the 3rd wave of the pandemic, we can see no improving signs in the near term. The lack of visibility about how the pandemic will play out also makes it impossible for us to see when or what kind of recovery can be expected in the intermediate term.

Beyond pandemic-related downside risks, lingering and increasing US-China tensions and sluggish global trade could further batter the recession-hit Hong Kong economy. Whilst the city's government has implemented a cash handout and other stimulus measures aiming to encourage spending and support businesses and employment, the still deteriorating labour market and volatile asset markets are set to weigh on local consumption demand. Inbound tourism might remain at a standstill due to the prolonged border control measures in the wake of resurgent coronavirus infections.

Hong Kong's retail market is inevitably subject to structural changes in terms of demand profile and consumer composition as recovery in inbound tourism is far from certain. A more balanced approach to local consumers and mainland tourists becomes increasingly important with retailers appealing to domestic shoppers are gaining stronger presence in the market.

In face of the market headwinds, as a leading department store operator underpinned by solid brand equity and loyal customer base, the Group will stay focused on fortifying its business foundation and further bolstering key stakeholder engagement to ensure our long-term stability. With visionary business acumen and determination, our management team will remain persistent yet flexible in response to the evolving retail landscape and leverage on the Group's advantages to maintain our steady and progressive development. The Group will continue to invest in digital enhancement and logistics support to further elevate the customer experience and cater to the emerging trends in lifestyle and consumer preferences.

The year 2020 marks the 35th anniversary of SOGO in Hong Kong, Lifestyle International will continue to evolve its business to the next level and stay at the forefront of the Hong Kong retail industry.

As part of our continuous efforts to generate better returns for our shareholders and sustain long-term profitable growth, the Group remains open to strategic investment and synergistic business opportunities.

EMPLOYEES

As at 30 June 2020, the Group maintained a fulltime workforce of 664 employees. Staff costs (excluding directors' emoluments) amounted to HK$102.8 million (2019: HK$114.4 million) for the six months ended 30 June 2020. The Group ensures that the pay levels of its employees are competitive and in line with the market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any listed securities of the Company during the six months ended 30 June 2020.

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 of Hong Kong Limited during the six months ended 30 June 2020.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2020 (2019: HK$0.3 per share).

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2020 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.

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

Hong Kong, 4 August 2020

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.