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 2021

HIGHLIGHTS

	2021	2020	Change
Revenue (*HK$ millions*)	1,062.5	942.0	12.8%
Profit/(loss) attributable to owners of the Company (*HK$ millions*)	220.0	(226.9)	197.0%
Earnings/(losses) per share *(HK$)*	0.146	(0.151)	197.0%
Interim cash dividend *(HK cents)*	-	-	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 2021, together with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Note	Six months ended 30 June 2021 HK$'000 (Unaudited)	2020 HK$'000 (Unaudited)
Revenue	3	**1,062,532**	942,011
Cost of sales		**(283,235)**	(238,739)
Gross profit		**779,297**	703,272
Other income, gains and losses		**56,425**	118,948
Selling and distribution costs		**(274,058)**	(282,351)
Administrative expenses		**(57,569)**	(55,929)
Interest income and investment gains/(losses)	4	**87,508**	(302,529)
Fair value changes on investment properties		**(166,355)**	(179,661)
Finance costs	5	**(153,068)**	(204,738)
Profit/(loss) before taxation	7	**272,180**	(202,988)
Taxation	6	**(52,189)**	(23,922)
Profit/(loss) for the period		**219,991**	(226,910)
Profit/(loss) for the period attributable to owners of the Company		**219,991**	(226,910)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operation		**(2,347)**	-
Items that will not be reclassified to profit or loss:			
Fair value changes on financial assets at fair value through other comprehensive income/(loss)		**19,770**	(291,894)
Other comprehensive income/(loss) for the period (net of tax)		**17,423**	(291,894)
Total comprehensive income/(loss) for the period attributable to owners of the Company		**237,414**	(518,804)
Earnings/(losses) per share attributable to owners of the Company - Basic and diluted	9	**HK$0.146**	(HK$0.151)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021

	Note	**30 June 2021**	31 December 2020
		HK$'000	*HK$'000*
		(Unaudited)	(Audited)
Non-current assets			
Investment properties		**8,136,074**	8,068,559
Property, plant and equipment		**6,679,405**	6,541,161
Financial assets at fair value through other comprehensive income	*10*	**1,355,552**	1,320,281
Financial assets at fair value through profit or loss	*12*	**25,736**	16,538
Deposits	*11*	**86,028**	82,839
Deferred tax assets		**86,254**	87,451
		16,369,049	16,116,829
Current assets			
Inventories		**25,838**	25,795
Trade and other receivables	*11*	**68,700**	644,878
Financial assets at fair value through profit or loss	*12*	**4,243,510**	4,814,485
Cash and cash equivalents		**4,179,056**	4,175,789
		8,517,104	9,660,947
Current liabilities			
Trade and other payables	*13*	**639,747**	662,249
Contract liabilities		**116,665**	121,824
Lease liabilities		**69,980**	86,574
Tax payable		**134,895**	105,162
Bank borrowings – due within one year		**6,573,768**	9,628,937
Financial liabilities at fair value through profit or loss	*12*	**169,630**	220,836
		7,704,685	10,825,582

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2021

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Non-current liabilities		
Bank borrowings – due after one year	**3,880,875**	3,874,125
Bonds – due after one year	**8,930,379**	6,836,181
Lease liabilities	**68,249**	136,697
Deferred tax liabilities	**219,427**	260,067
	13,098,930	11,107,070
	4,082,538	3,845,124
Capital and reserves		
Share capital	**7,510**	7,510
Reserves	**4,075,028**	3,837,614
	4,082,538	3,845,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2021 ("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, except for the financial assets and liabilities (including derivatives financial instruments) at fair value through profit or loss/other comprehensive income and investment properties, 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 2020.

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

HKFRS 17	Insurance Contracts
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2

The application of the new and 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), 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	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or service		
Sales of goods – direct sales	**373,988**	316,743
Income from concessionaire sales	**456,796**	441,663
Income from APO sales	**118,132**	133,512
Service income	**37,811**	32,142
Revenue from contracts with customers	**986,727**	924,060
Rental income	**75,805**	17,951
	1,062,532	942,011
Timing of revenue recognition		
Recognised at a point in time:		
Sales of goods – direct sales	**373,988**	316,743
Recognised over time:		
Income from concessionaire sales	**456,796**	441,663
Income from APO sales	**118,132**	133,512
Service income	**37,811**	32,142
	612,739	607,317
Rental income	**75,805**	17,951
Total revenue	**1,062,532**	942,011

All the above revenue is derived from Hong Kong and United Kingdom ("UK") (for the six months ended 30 June 2020: All revenue was derived from Hong Kong).

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 and the UK. 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 and the UK. The Group's non-current assets are all based in Hong Kong except the completed investment property in the amount of HK$2,686,074,000 in the UK (for the six months ended 30 June 2020: The Group's operation was based in Hong Kong and the non-current assets were 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 GAINS/(LOSSES)

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**5,321**	79,377
Dividend income from financial assets at fair value through profit or loss ("FVPL")	**8,235**	16,472
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**17,154**	2,323
Interest income from financial assets at FVPL	**101,212**	60,047
Fair value change of financial assets/liabilities at FVPL	**(44,414)**	(460,748)
	87,508	(302,529)

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings	**75,191**	163,553
Bonds	**164,597**	161,782
Lease liabilities	**2,688**	5,023
	242,476	330,358
Less: Amounts capitalised in construction in progress and investment property under development	**(89,408)**	(125,620)
	153,068	204,738

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 2.2% (for the six months ended 30 June 2020: 2.2%).

6. TAXATION

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**84,012**	89,298
UK Corporate Income Tax	**7,248**	-
	91,260	89,298
Underprovision in prior years:		
Hong Kong Profits Tax	**372**	25
Deferred tax credit	**(39,443)**	(65,401)
	52,189	23,922

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

Pursuant to the rules and regulations of the UK, the Group is subject to corporate income tax at 19% on the estimated assessable profit of the subsidiary which carries on business in the UK (for the six months ended 30 June 2020: Nil).

7. PROFIT/(LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit/(loss) before taxation for the period has been arrived at after charging :		
Cost of inventories recognised as expenses	**283,235**	238,739
Depreciation of property, plant and equipment	**112,104**	126,801

8. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2021 (for the six months ended 30 June 2020: Nil).

9. EARNINGS/(LOSSES) PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings/(losses):		
Earnings/(losses) for the period attributable to owners of the Company	**219,991**	(226,910)

	30 June 2021	30 June 2020
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	**1,501,916**	1,501,916

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Basic and diluted earnings/(losses) per share	**HK$0.146**	(HK$0.151)

Diluted earnings/(losses) per share were the same as the basic earnings/(losses) per share as there were no potential dilutive equity instruments throughout the six months ended 30 June 2021 and 2020 respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2021 *HK$'000* (Unaudited)	31 December 2020 *HK$'000* (Audited)
Non-current assets		
Financial assets at FVOCI:		
- Equity securities listed overseas	**951,511**	932,781
- Unlisted equity security	**404,041**	387,500
	1,355,552	1,320,281

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 2021, 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 2021 *HK$'000* (Unaudited)	31 December 2020 *HK$'000* (Audited)
Trade receivables	**26,318**	25,336
Prepayments	**31,970**	25,907
Deposit paid	**87,151**	84,164
Interest receivables	**414**	1,267
Value-added-tax ("VAT") recoverable (note)	**-**	527,506
Others	**8,875**	63,537
	154,728	727,717
Less: Non-current portion	**(86,028)**	(82,839)
Current portion	**68,700**	644,878

Note:
As at 31 December 2020, the VAT recoverable arose from the acquisition of a property in London, the UK.

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments. Its major trade receivables arise from credit card sales which are normally settled in one or two business days in arrears and the rental income receivables are normally settled 30 days in arrears.

11. TRADE AND OTHER RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of provision for expected credit losses presented based on the invoice date.

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
0 – 30 days	**21,829**	20,736
31 – 60 days	**3,563**	3,394
61 – 90 days	**498**	498
Over 90 days	**428**	708
	26,318	25,336

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

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Non-current assets		
Financial assets at FVPL:		
- Club debentures	**25,736**	16,538
Current assets		
Financial assets at FVPL:		
- Equity securities listed in Hong Kong	**1,003,260**	891,939
- Equity securities listed overseas	**24,546**	23,104
- Listed investment funds	**44,266**	31,597
- Listed debt securities	**1,975,824**	1,815,394
- Money market fund	**-**	1,542,853
- Unlisted debt security	**455,244**	-
- Unlisted investment funds	**480,338**	430,008
- Unlisted equity-linked notes	**260,032**	76,304
- Warrant	**-**	54
- Target redemption forward contracts	**-**	3,232
	4,243,510	4,814,485
Current liabilities		
Financial liabilities at FVPL:		
- Cross currency swap	**151**	-
- Interest rate swaps	**163,122**	220,807
- Options	**89**	-
- Target redemption forward contracts	**6,268**	29
	169,630	220,836

13. TRADE AND OTHER PAYABLES

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
Trade payables	**30,357**	40,799
Concessionaire sales payables	**174,579**	245,067
APO sales payables	**46,944**	61,338
Construction costs payables	**59,160**	12,224
Rental deposits received	**12,459**	14,785
Accrued expenses	**184,846**	161,590
Interest payables	**75,819**	79,286
Deferred rental income	**33,952**	32,934
Others	**21,631**	14,226
	639,747	662,249

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

	30 June 2021 *HK$'000* **(Unaudited)**	31 December 2020 *HK$'000* (Audited)
0 – 30 days	**24,638**	32,762
31 – 60 days	**3,564**	4,993
61 – 90 days	**162**	178
Over 90 days	**1,993**	2,866
	30,357	40,799

The average credit period of trade payables, concessionaire and APO 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

Global economy was on a firmer ground in the first half of the 2021, but the recovery was characterised by great divergences across and within countries amid lingering uncertainties in face of the spread of new variants of the COVID-19 virus and different paces of vaccination. Cross-border travel remained at a standstill as strict travel restrictions were still generally in place.

During the period under review, China's gross domestic product rose 12.7% year-on-year, well above the government's economic growth target of above 6% for 2021, as the world's second largest economy continued its recovery from the coronavirus pandemic, underpinned by consumption growth and steady pick up in industrial output and investment. Total retail sales of consumer goods in China expanded 23.0% year-on-year.

Hong Kong, the Group's home market, returned to growth in the first half of 2021, driven by resurgence in exports fueled by recoveries in both China and the U.S. However, the local economy remained below its pre-pandemic level as inbound tourism remained frozen amid travel restrictions worldwide and the austere labour market situation weighed on consumer sentiment. Hong Kong's GDP grew 7.8% in the first half of 2021, compared with an approximately 9% contraction in the same period last year. With continued restrictions on cross-border travel, visitor arrivals to Hong Kong plummeted 99.0% to 33,000 visitors in aggregate for the first half of 2021 with visitations from mainland China reporting a 99.1% decline. Consumption demand stayed relatively subdued. Retail sales rebounded on gradual relaxation of social distancing measures and a low base of comparison a year ago.

In spite of the prevailing challenging market environment, the Group continued to enhance its operational efficiency with a series of strategic initiatives and cost retrenchment measures, while proactively adjusting its business strategies and marketing initiatives to embrace the paradigm shifts and structural changes in the retail market under the post-pandemic new normal.

Financial Review

Revenue and Sales Proceeds

For the period under review, the Group's department store operations saw its revenue increased by 12.8% over the same period last year to HK$1,062.5 million, while total gross sales proceeds, derived from direct, After Purchase Order ("APO") and concessionaire sales transactions, was up by 8.0% to HK$2,843.0 million as a result of improvement in customer foot traffic at the stores of the Group amid the gradual easing of social distancing rules during the period. The increase in revenue for the period was mainly due to growth in direct sales of approximately 18.1%, an approximately 3.4% increase in commission income derived from concessionaire sales and the additional rental income of approximately HK$60.0 million from the London-based commercial property which was acquired by the Group in November 2020.

Gross Profit and Gross Profit Margin

The Group's gross profit margin as a percentage of revenue decreased to 73.3% from 74.7% in 2020 as the growth in direct sales was higher than the increase in concessionaire commission, which gross margin is theoretically 100%. Gross profit amounted to HK$779.3 million, up 10.8% from HK$703.3 million recorded in the same period of 2020. The blended average concessionaire rate for the Group was down 0.4 percentage point to 23.1% from 23.5% last year.

Net Profit / Loss Attributable to Shareholders

For the six months ended 30 June 2021, the Group recorded a net profit attributable to owners of the Company of HK$220.0 million, whereas it was a loss of HK$226.9 million in the corresponding period last year. The profit was mainly attributable to a combination of (i) an 8.0% increase in sales proceeds as a result of improvement in customer foot traffic at the stores of the Group amid gradually stabilising pandemic situation; (ii) a lower mark-to-market fair value loss of HK$44.4 million recorded on the Group's financial investments whereas it was a much higher fair value loss of HK$460.7 million in the same period last year; and (iii) an additional net rental income from the newly acquired London-based commercial property. Profit before tax attributable to the Group's retail operations (excluding net investment income/loss, fair value change of investment properties, exchange gain/loss and non-recurring items) would amount to HK$376.8 million, up 34.8% from HK$279.6 million in the same period last year, primarily a result of an improvement in retail sales and additional rental income.

Selling and Distribution Costs

The aggregate selling and distribution costs of the Group decreased 2.9% over the same period last year and represented 9.6% (2020: 10.7%) of total gross sales proceeds. The decrease was mainly attributable to lower depreciation and amortisation charge during the period. Other selling and distribution costs remained relatively stable.

Administrative Expenses

The Group's general administrative expenses increased 2.9% as compared to the same period last year as the Group's control measures on staff related costs were gradually lifted amid an improving 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 gains/losses. The decrease in other income, gains and losses of the Group during the period was mainly attributable to an exchange loss of HK$12.3 million being recorded, as compared to an exchange gain of HK$44.9 million in 2020, mainly arising from translating the Group's US dollar ("USD") denominated bonds payable as the USD has strengthened against the HKD since the beginning of the year.

Investment Income/Loss

For the first half of 2021, the Group recorded a net investment income of HK$87.5 million, comparing to a net investment loss of HK$302.5 million for the same period in 2020. Investment income comprised mainly interest income of HK$5.3 million from the Group's bank deposits and net investment gain of HK$82.2 million, which consisted of mark-to-market 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 2021, the Group's financial investment portfolio included under current assets and current liabilities amounted to an aggregate of approximately HK$4,243.5 million and HK$169.6 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 capitalisation, was approximately HK$242.5 million for the period under review (2020: HK$330.3 million). The overall decrease was mainly due to the Hong Kong Interbank Offered Rate ("HIBOR"), to which the Group's floating rate loans are referenced, remained at low level during the period. Finance costs charged to the profit and loss account during the period amounted to HK$153.1 million (2020: HK$204.7 million) after HK$89.4 million (2020: HK$125.6 million) of the borrowing costs relating to the Kai Tak Project has been capitalised.

Liquidity and Financial Resources

The Group's EBITDA (excluding fair value changes on the Group's financial assets/liabilities at fair value through P/L ("FA/L at FVPL") and investment property) for the period decreased 10.4% to HK$684.1 million (2020: HK$763.7 million). The decrease in EBITDA was due to a decrease in bank interest income of HK$74.1 million amid an extremely low interest environment and an exchange loss of HK$12.3 million comparing to last year's exchange gain of HK$44.9 million was recorded during the period which offset completely the positive effect brought about by the retail sales growth and additional rental income.

As at 30 June 2021, before counting the Group's FA/L at FVPL, which was valued at approximately HK$4,073.9 million (31 December 2020: HK$4,593.6 million), the Group's net debt (total borrowings less cash and cash equivalents) decreased to HK$15,206.0 million from HK$16,163.5 million as at 31 December 2020, with the cash and cash equivalents amounted to approximately HK$4,179.1 million (31 December 2020: HK$4,175.8 million). Of the cash kept at banks, approximately 98% was denominated in US dollar and Hong Kong dollar and the remaining was in Pound Sterling (£), Renminbi and other foreign currencies.

As at 30 June 2021, the Group's outstanding bank loans amounted to approximately HK$10,454.6 million (31 December 2020: HK$13,503.1 million) and bonds payable amounted to approximately HK$8,930.4 million (31 December 2020: HK$6,836.2 million). The outstanding bank loans comprised HK$3,750 million term loan under the existing 5-year HK$8,000 million secured loan facility. This HK$3,750 million outstanding term loan has been repaid on 15 July 2021 by drawing down part of the term loan under a new 5-year HK$8,000 million secured loan facility, comprising HK$5,000 million term loan and HK$3,000 million revolving loan, pursuant to the Facility Agreement dated 18 June, 2021 ("New Facility"). The HK$5,000 million term loan will be repayable semi-annually from December 2023 onward and the interest of this New Facility is calculated with reference to HIBOR. The Group's outstanding bank loans consisted of also a term loan of HK$3,891 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 comprised also short-term Japanese Yen ("JPY") loans totaling JPY4,883.0 million (equivalent to HK$343.2 million) and £231.0 million (equivalent to HK$2,480.6 million) loan drawn under an aggregate US$725 million facilities, which are secured against certain of the Group's financial assets and cash deposits, bearing interest calculated with reference to LIBOR.

As at 30 June 2021, the Group had aggregate unutilized banking facilities in the amount of approximately HK$10,918.5 million (31 December 2020: HK$8,091.5 million). The unsecured guaranteed bonds payable of HK$8,930.4 million (US$1,155.4 million at maturity) at 30 June 2021 comprised a US$205.4 million 5-year bond (bearing interest at 4.25% and maturing in October 2022), a US$300 million 5-year bond (bearing interest at 4.875% and maturing in July 2024), a US$300 million 10-year bond (bearing interest at 4.5% and maturing in June 2025) and a US$350 million 5-year bond (bearing interest at 4.8% and maturing in June 2026).

In June 2021, the Group repurchased and subsequently cancelled an aggregate principal amount of US$81.5 million of the 4.25% unsecured guaranteed bonds due 2022 for a consideration of US$83.1 million, which was funded by the proceeds from the USD350 million 4.8% unsecured guaranteed bond issued in June 2021. As at 30 June 2021, the Group's net debt to equity ratio or net gearing (defined as total borrowings less cash and cash equivalents divided by equity attributable to owners of the Company) remained relatively stable at 372.5% (31 December 2020: 380.2%). Meanwhile, 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 amortisation, thereby its fair 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 USD and Pound Sterling. 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. While the Group's exposure to the Pound Sterling borrowings is somewhat hedged by the holding of an investment property in London, the Group is looking at different options with an aim to reduce the potential foreign currency exchange impact to the Group as a result of future fluctuations of the Pound Sterling.

Pledge of Assets

As at 30 June 2021, certain of the Group's leasehold land and buildings in Hong Kong with carrying values aggregating approximately HK$1,103.9 million (31 December 2020: HK$1,126.6 million), together with shares of certain subsidiaries of the Group, were pledged to secure the HK$8,000 million (31 December 2020: HK$8,000 million) loan facility granted to the Group, of which HK$5,000 million (31 December 2020: HK$7,000 million) was utilised.

In addition, the entire Kai Tak Project, comprising the construction in progress and investment property under development, with an aggregate carrying value of HK$10,477.6 million (31 December 2020: HK$$10,193.4 million) was pledged to secure the HK$9,000 million loan facility granted to the Group for financing the Kai Tak Land acquisition and its construction, of which HK$3,891.0 million was utilised as at the period end (31 December 2020: HK$$3,891.0 million). Moreover, certain of the Group's FA at FVPL with carrying value amounting to approximately HK$4,132.0 million (31 December 2020: HK$5,091.3 million) were pledged to secure loan facilities amounting to US$725 million (31 December 2020: US$725 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2021.

Material Acquisitions and Disposals

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

Review of Operations

Despite retail sales of Hong Kong trended up in the first half of 2021, sequential growth data showed the recovery losing steam and the aggregate sales volume remained far below the pre-pandemic levels given the lack of visitor spending and job market still came under pressure. In light of the predominantly local-centric market environment, the Group stayed focused on strengthening our loyalty member engagement and implementing strategies and promotions catered to local consumers' needs and preferences in order to woo the local consumers, further bolstering its leading position in the Hong Kong retail market.

SOGO CWB

With gradual easing of containment measures amid abating pandemic, alongside a low comparison base and the Group's effective theme-based promotions introduced to attract footfall and encourage repeat purchase, the flagship SOGO Causeway Bay ("SOGO CWB") resumed growth in the first half of 2021. Sales of SOGO CWB recorded a growth of 8.2%, compared with a drop of 49.3% in the same period last year. The overall traffic footfall increased 3.3% with average ticket-size (excluding transactions from the Freshmart supermarket) increased 13.7% to HK$1,595. However, stay-and-buy ratio dropped by 2.3 percentage points to 37.8%.

To adapt to the constantly changing retail landscape, the Group continued to accelerate its pace in digitalisation and further upgraded its SOGO eStore services as well as its customer relationship management system during the period under review. Thanks to convenient omnichannel shopping experiences and attractive product offerings, the store's iconic SOGO Thankful Week was well received by shoppers and achieved satisfactory sales performance.

As the demand for airtime saw a gradual pick up as the retailing environment starting to improve, advertising income during the period from CVISION, the Group's outdoor full-HD LED advertising screen at the building façade of SOGO CWB, increased by more than 40% as comparing to the same period last year.

SOGO TST

With well-tailored merchandise portfolio and a unique location advantage, SOGO Tsim Sha Tsui ("SOGO TST") had established itself as a sought-after shopping destination especially for tourists. While cross-border tourism largely remained at a standstill in the first-half of 2021 due to the COVID-19 pandemic, local consumer sentiment saw some improvement following the gradual relaxation of social distancing measures since mid-February, rendering some support to the operations of SOGO TST. Similar to the CWB store, SOGO TST was also benefited by the low comparison base, with sales recorded an increase of 6.8% year-on-year in the first half the year, compared with a 71.1% year-on-year plunge in the same period last year.

Wa San Mai

Located at the same building as our SOGO CWB, business of our Wa San Mai restaurant was boosted by an increase in customer patronage amid easing pandemic during the first half of the year, with its business receipts saw an increase of 25.6% year-on-year to approximately HK$27.9 million, as compared to a 35.1% decline during the same period last year.

London Property

For the first half of 2021, the gross rental income generated by the London-based commercial property, with a single tenant lease, amounted to £5.6 million, equivalent to approximately HK$60.0 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 building to provide an approximately 101,000 square metres of space mainly for retailing use. The commercial blocks will be housing a full-fledged SOGO 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 with other entertaining and dining facilities.

With the exception of certain delays encountered last year, construction works of the Kai Tak Project during the period have been progressing smoothly as scheduled. The Kai Tak retail complex is expected to be in business in 2023 and we believe that it will become a landmark in the new Kai Tak development and East Kowloon area, further broadening and solidifying the Group's presence in the Hong Kong retailing market.

Outlook and Plan

Looking ahead, the Group maintains a cautious view on the Hong Kong's retail sector in the second half of the year, as Hong Kong's economy faces a bumpy road ahead in pandemic recovery. Hong Kong economic recovery has been uneven and its overall economic activity remains below pre-pandemic level. It is hoped that the launch of the consumption voucher scheme and further easing of restriction measures with more citizens getting vaccinated would stimulate local consumption. Nevertheless, the crucial timing of eventual opening-up of borders remains uncertain and any resurgence in coronavirus infections could derail the nascent recovery.

Whilst Hong Kong's resilient financial market and the increasingly entrenched recovery of China's economy would bolster the city's economy, lingering uncertainties over the evolving global pandemic with the spread of the Delta variant of coronavirus and escalating geopolitical tensions might hamper the global economic growth. As inbound tourism will likely take time to recover from the unprecedented pandemic, the retail market in the near-term will remain challenging given the lack of visitor spending. Moreover, a tepid job market would also undermine consumer sentiment.

Notwithstanding the headwinds, as a leading retail operator in Hong Kong, the Group will continue to strengthening its competitive positioning and expedite its digitalisation in order to stay ahead of the newly transformed retail landscape under the new normal. With our solid brand equity and experienced management team, we believe the Group will be well positioned to capitalise upon the opportunities when the pandemic subsides.

To put our best foot forward in driving sustainable growth and generating better returns for our shareholders, the Group will continue to pursue strategic investments and lucrative business opportunities.

EMPLOYEES

As at 30 June 2021, the Group maintained a fulltime workforce with a total of 673 employee. Staff costs (excluding directors' emoluments) amounted to HK$106.2 million (2020: HK$102.8 million) for the six months ended 30 June 2021. 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 LISTED SECURITIES

On 18 June 2021, the Company completed a tender offer to purchase for cash an aggregate principal amount of US$81,547,000 of the 4.25% guaranteed bonds due 2022 ("2022 Guaranteed Bonds") (bond code: 4571), representing approximately 28.42% of the outstanding principal amount of the 2022 Guaranteed Bonds, for a total purchase consideration of approximately US$83,100,000.

After cancellation of the repurchased 2022 Guaranteed Bonds, the remaining outstanding aggregate principal amount of the 2022 Guaranteed Bonds amounted to US$205,402,000 as at 30 June 2021.

Save as disclosed above, 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 2021.

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 2021.

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2021 (2020: nil).

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2021 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, 2 August 2021

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.