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 2022

HIGHLIGHTS

	2022	2021	Change
Revenue (*HK$ million*)	927.0	1,062.5	-12.8%
(Loss)/profit attributable to owners of the Company (*HK$ million*)	(475.4)	220.0	-316.1%
(Losses)/earnings per share *(HK$)*	(0.317)	0.146	-316.1%

INTERIM RESULTS

The board of directors ("Board") of Lifestyle International Holdings Limited (the "Company") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2022, together with comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
	Note	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**927,009**	1,062,532
Cost of sales		**(256,082)**	(283,235)
Gross profit		**670,927**	779,297
Other income, gains and losses	*4*	**(58,769)**	56,425
Selling and distribution costs		**(270,657)**	(274,058)
Administrative expenses		**(59,622)**	(57,569)
Interest income and investment (losses)/gains, net	*5*	**(455,222)**	87,508
Fair value changes on investment properties		**9,186**	(166,355)
Finance costs	*6*	**(215,127)**	(153,068)
(Loss)/profit before taxation	*8*	**(379,284)**	272,180
Taxation	*7*	**(96,144)**	(52,189)
(Loss)/profit for the period		**(475,428)**	219,991
(Loss)/profit for the period attributable to owners of the Company		**(475,428)**	219,991
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Exchange differences arising from translation of foreign operation		**(2,412)**	(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		**(238,714)**	19,770
Other comprehensive (loss)/income for the period (net of tax)		**(241,126)**	17,423
Total comprehensive (loss)/income for the period attributable to owners of the Company		**(716,554)**	237,414
(Losses)/earnings per share attributable to owners of the Company - Basic and diluted	*10*	**(HK$0.317)**	HK$0.146

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022

	Note	**30 June 2022** *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
Non-current assets			
Investment properties		**8,705,680**	8,547,270
Property, plant and equipment		**7,531,496**	7,218,764
Financial assets at fair value through other comprehensive income	*11*	**1,210,265**	1,448,979
Financial assets at fair value through profit or loss	*13*	**30,300**	28,950
Deposits	*12*	**155,372**	142,478
Deferred tax assets		**51,317**	89,260
		17,684,430	17,475,701
Current assets			
Inventories		**31,583**	26,771
Trade and other receivables	*12*	**112,118**	76,907
Financial assets at fair value through profit or loss	*13*	**1,103,163**	1,586,662
Cash and cash equivalents		**4,480,496**	3,817,144
Time deposits		**117,774**	-
		5,845,134	5,507,484
Current liabilities			
Trade and other payables	*14*	**977,260**	1,073,299
Contract liabilities		**134,154**	116,805
Lease liabilities		**86,630**	83,191
Tax payable		**78,775**	53,770
Bank borrowings – due within one year		**4,933,966**	6,058,201
Bonds – due within one year		**1,572,324**	1,599,864
Financial liabilities at fair value through profit or loss	*13*	**38,104**	25,030
		7,821,213	9,010,160

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AS AT 30 JUNE 2022

	30 June 2022 *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
Non-current liabilities		
Bank borrowings – due after one year	**6,111,270**	3,670,800
Bonds – due after one year	**7,423,854**	7,371,436
Lease liabilities	**15,718**	57,136
Deferred tax liabilities	**219,754**	219,344
	13,770,596	11,318,716
	1,937,755	2,654,309
Capital and reserves		
Share capital	**7,510**	7,510
Reserves	**1,930,245**	2,646,799
	1,937,755	2,654,309

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial information for the six months ended 30 June 2022 ("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".

As at 30 June 2022, the Group's consolidated current liabilities exceeded current assets by approximately HK$1,976.1 million. The directors of the Company are of the opinion, having taken into account the signing of a HK$6.95 billion two-year term loan agreement for refinancing the outstanding loan amount of HK$3.89 billion due for repayment on 4 July 2022 and for funding the remaining construction costs required to complete the Kai Tak Project; cash flows projection for the 12 months ending 30 June 2023 prepared by management which have taken into consideration of the potential impact of the COVID-19 pandemic on the Group's operations; and the cash and the unutilized banking facilities available as at the 30 June 2022, that the Group will have adequate liquidity and financial resources to meet in full its financial obligations and working capital requirements in the next twelve months from the date of financial position. Accordingly, the Group's condensed consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 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 2021.

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:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

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 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	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Types of goods or service		
Sales of goods – direct sales	**330,085**	373,988
Income from concessionaire sales	**398,326**	456,796
Income from APO sales	**86,596**	118,132
Service income	**40,862**	37,811
Revenue from contracts with customers	**855,869**	986,727
Rental income	**71,140**	75,805
	927,009	1,062,532
Timing of revenue recognition		
Recognised at a point in time:		
Sales of goods – direct sales	**330,085**	373,988
Recognised over time:		
Income from concessionaire sales	**398,326**	456,796
Income from APO sales	**86,596**	118,132
Service income	**40,862**	37,811
	525,784	612,739
Rental income	**71,140**	75,805
Total revenue	**927,009**	1,062,532

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 United Kingdom. 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.

All the Group's non-current assets are based in Hong Kong, except the completed investment property in the United Kingdom of HK$2,465,680,000 as at 30 June 2022 (31 December 2021: HK$2,727,270,000). The Group's revenue is derived from Hong Kong, except the rental income generated from the completed investment property in the United Kingdom of HK$56,532,000 for the six months period ended 30 June 2022 (for the six months period ended 30 June 2021: HK$60,000,000).

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net exchange losses	**(129,744)**	(12,328)
Management fee income	**37,870**	39,017
Gains/(losses) on redemption of bonds	**232**	(9,723)
Others	**32,873**	39,459
	(58,769)	56,425

5. INTEREST INCOME AND INVESTMENT (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest income on bank deposits	**8,398**	5,321
Dividend income from financial assets at fair value through profit or loss ("FVPL")	**8,950**	8,235
Dividend income from financial assets at fair value through other comprehensive income ("FVOCI")	**17,345**	17,154
Interest income from financial assets at FVPL	**23,044**	101,212
Fair value change of financial assets/liabilities at FVPL	**(512,959)**	(44,414)
	(455,222)	87,508

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expenses on:		
Bank borrowings	**86,865**	75,191
Bonds	**215,484**	164,597
Lease liabilities	**1,820**	2,688
	304,169	242,476
Less: Amounts capitalised in construction in progress and investment property under development	**(89,042)**	(89,408)
	215,127	153,068

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 2.3% (for the six months ended 30 June 2021: 2.2%).

7. TAXATION

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profits Tax	**51,778**	84,012
United Kingdom Corporate Income Tax	**6,013**	7,248
	57,791	91,260
Under provision in prior years:		
Hong Kong Profits Tax	**-**	372
Deferred tax charge/(credit)	**38,353**	(39,443)
	96,144	52,189

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 United Kingdom, the Group is subject to corporate income tax at 19% on the estimated assessable profit of the subsidiary which carries on business in the United Kingdom for both periods.

8. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss)/profit before taxation for the period has been arrived at after charging :		
Cost of inventories recognised as expenses	**256,082**	283,235
Depreciation of property, plant and equipment	**105,766**	112,104

9. DIVIDEND

No dividend was paid or declared by the Company for the six months ended 30 June 2022 (for the six months ended 30 June 2021: Nil).

10. (LOSSES)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Losses)/earnings:		
(Losses)/earnings for the period attributable to owners of the Company	**(475,428)**	219,991

	30 June 2022	30 June 2021
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	**1,501,916**	1,501,916

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Basic and diluted (losses)/earnings per share	**(HK$0.317)**	HK$0.146

Diluted (losses)/earnings per share equals to the basic (losses)/earnings per share as there were no dilutive equity instruments throughout the six months ended 30 June 2022 and 2021.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022	**31 December 2021**
	HK$'000	***HK$'000***
	(Unaudited)	(Audited)
Non-current assets		
Financial assets at FVOCI:		
- Equity securities listed overseas	**802,065**	1,043,379
- Unlisted equity security	**408,200**	405,600
	1,210,265	1,448,979

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 2022, certain financial assets at FVOCI were pledged as security for short-term loan facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**26,619**	37,351
Prepayments	**71,443**	26,876
Deposit paid	**156,532**	144,032
Interest receivables	**2,304**	866
Others	**10,592**	10,260
	267,490	219,385
Less: Non-current portion	**(155,372)**	(142,478)
Current portion	**112,118**	76,907

Note:

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.

12. 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 2022 *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
0 – 30 days	**22,625**	30,860
31 – 60 days	**2,779**	3,214
61 – 90 days	**377**	1,464
Over 90 days	**838**	1,813
	26,619	37,351

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

	30 June 2022 *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
Non-current asset		
Financial assets at FVPL:		
- Club debentures	**30,300**	28,950
Current assets		
Financial assets at FVPL:		
- Equity securities listed in Hong Kong	**552,318**	678,492
- Equity securities listed overseas	**4,280**	-
- Listed debt securities	**284,492**	563,084
- Unlisted debt securities	**94,200**	177,840
- Unlisted investment funds	**145,423**	156,994
- Unlisted equity-linked notes	**22,450**	7,718
- Target redemption forward contracts	**-**	2,534
	1,103,163	1,586,662
Current liabilities		
Financial liabilities at FVPL:		
- Interest rate swaps	**-**	24,324
- Target redemption forward contracts	**38,104**	706
	38,104	25,030

14. TRADE AND OTHER PAYABLES

	30 June 2022 *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
Trade payables	**81,203**	45,088
Concessionaire sales payables	**342,690**	300,348
APO sales payables	**76,995**	70,587
Construction costs payables	**102,111**	145,023
Rental deposits received	**11,003**	11,612
Accrued expenses	**231,842**	375,796
Interest payables	**78,512**	76,643
Deferred rental income	**30,152**	32,847
Others	**22,752**	15,355
	977,260	1,073,299

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

	30 June 2022 *HK$'000* **(Unaudited)**	31 December 2021 *HK$'000* (Audited)
0 – 30 days	**46,272**	20,179
31 – 60 days	**31,448**	19,003
61 – 90 days	**110**	297
Over 90 days	**3,373**	5,609
	81,203	45,088

The average credit period of trade payables, concessionaire sales payables 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 saw a slow-down in the first half of 2022 amid resurgence of COVID-19 variants and Ukraine crisis, coupled with growing inflationary pressure and monetary tightening. Cross-border travel showed signs of recovery with some countries gradually lifting COVID-related travel restrictions, but China's upholding of its "zero-COVID" policy continued to hammer the global tourism industry.

During the period under review, China's gross domestic product rose 2.5% year-on-year but the growth slowed down sharply from 12.7% in 2021, as it imposed lockdowns in scores of cities including Shanghai and Beijing to stamp out outbreaks of the highly transmissible Omicron COVID-19 variant, which put business activities to a halt. The lockdowns and COVID disruptions severely dented industrial output as well as consumption demand. Total retail sales of consumer goods in China contracted 0.7% year-on-year, compared with a 23.0% expansion in 2021.

Hong Kong, the Group's home market, saw a marked economic deterioration in the first quarter of 2022 as the fifth wave of local COVID-19 pandemic and resultant restrictive social distancing measures took a heavy toll on economic activities. Despite the progressive relaxation of social distancing measures and the new round of consumption voucher scheme rendered some support to the domestic demand in the second quarter of the year, the local economy still shrank in the first half of 2022 in the wake of slowing global economic growth. A dire labor market and financial market turmoil continued to weigh on consumer sentiment. Hong Kong's GDP contracted by 4% in the first quarter of 2022, reversing the growth trend in the previous four quarters. Retail sales fell from a year ago as consumers remained cautious in the face of volatile pandemic situation and lingering economic uncertainties. For the first five months of 2022, retail sales in Hong Kong dropped by 2.9%, compared with a growth of 8.9% in the same period of 2021.

Facing the daunting challenges under the pall of COVID-19 resurgence and economic downturn, the Group swiftly implemented proactive measures to mitigate the negative impacts and to strengthen business resilience as well as enhance customer engagement.

Financial Review

Revenue and Sales Proceeds

For the period under review, the Group's department store operations saw its revenue decreased by 12.8% over the same period last year to HK$927.0 million, while total gross sales proceeds, derived from direct, After Purchase Order ("APO") and concessionaire sales transactions, were down by 11.7% to HK$2,509.7 million as a result of significant drop in customer foot traffic at the stores of the Group during the period. The Group's decrease in revenue for the period was mainly attributable to the drop in direct sales of approximately 11.8%, and an approximately 15.7% decrease in commission income derived from APO and concessionaire sales, while the rental income from the London-based commercial property amounted to approximately HK$56.5 million.

Gross Profit and Gross Profit Margin

The Group's gross profit margin as a percentage of revenue edged lower to 72.4% from 73.3% in 2021 as the margin is generally under pressure given the weak consumer sentiment. Gross profit amounted to HK$670.9 million, down 13.9% from HK$779.3 million recorded in the same period of 2021 amid drop in both the aggregate sales proceeds and margin. Facing the difficult operating environment, the blended average concessionaire rate in respect of the Group's concessionaire sales arrangement edged down 0.6 percentage point to 22.5% from 23.1% last year.

Net Loss / Profit Attributable to Shareholders

For the six months ended 30 June 2022, the Group recorded a net loss attributable to owners of the Company of HK$475.4 million, whereas it was a profit of HK$220.0 million in the corresponding period last year. The loss was mainly caused by a combination of (i) a 12.8% decline in revenue as a result of a weakened consumer sentiment and drop in customer foot traffic at the stores of the Group amidst the government's stringent containment measures to combat the fifth wave of the resurgent COVID-19 pandemic during the first quarter of the year; (ii) an investment loss of HK$455.2 million recorded on the Group's financial investments whereas it was an investment gain of HK$87.5 million in the corresponding period last year; and (iii) an exchange loss of HK$129.7 million comparing to HK$12.3 million last year. The profit before tax and finance costs attributable to the Group's core operations (before counting the fair value changes on financial assets and liabilities measured at fair value through profit and loss ("FA/L@FVTPL") and investment properties, exchange differences and other non-recurring items) would amount to HK$456.2 million, down 29.3% from HK$645.2 million in the same period last year, primarily a result of the drop in sales revenue due to the sluggish consumer demand amid the pandemic and margin squeeze.

Selling and Distribution Costs

The aggregate selling and distribution costs of the Group decreased 1.2% over the same period last year and represented 10.8% (2021: 9.6%) of total gross sales proceeds. The decrease in absolute amount was mainly attributable to lower depreciation and amortisation charges during the period. Other selling and distribution costs remained relatively stable.

Administrative Expenses

The Group's general administrative expenses increased 3.6% as compared to the same period last year which is in line with general price increase.

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 losses. Aggregate other losses recorded for this period as comparing to other income in the same period last year was mainly caused by an exchange loss of HK$129.7 million, as compared to HK$12.3 million in 2021. The significant exchange loss this period was a result of translating the Group's British Pound ("GBP") denominated net receivable from an overseas investment amid the weakening GBP, as well as translating the Group's US dollar ("USD") denominated bonds payable amid a strengthening USD against the HK dollar.

Investment Income/Loss

For the first half of 2022, the Group recorded a net investment loss of HK$455.2 million, comparing to a net investment income of HK$87.5 million for the same period in 2021. The net investment (loss)/income comprised mainly fair value changes, interest and investment income received and receivable, and dividend income from a portfolio of FA/L@FVTPL with a fair value of approximately HK$1,095.4 million as at 30 June 2022.

Of the approximately HK$455.2 million net investment loss for the period, approximately HK$444.3 million represented unrealized loss on fair value changes attributable to the Group's holdings of certain equity and debt securities, with remaining aggregate fair value of approximately HK$82.4 million and HK$378.7 million respectively as at 30 June 2022, which are issued by certain property development groups based in mainland China. As at 30 June 2022, the Group's aggregate FA/L@FVTPL grouped under current assets and current liabilities amounted to approximately HK$1,103.2 million and HK$38.1 million respectively.

Finance Costs

The Group's total 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$304.2 million for the period under review (2021: HK$242.5 million).

The overall increase was mainly due to the Hong Kong Interbank Offered Rate ("HIBOR"), to which the Group's floating rate loans are referenced, increased during the period as well as the additional interest incurred for the bond issued in June 2021. Finance costs charged to the profit and loss account during the period amounted to HK$215.1 million (2021: HK$153.1 million) after HK$89.0 million (2021: HK$89.4 million) of the borrowing costs relating to the Kai Tak Project has been capitalised.

Liquidity and Financial Resources

The Group's adjusted EBITDA (excluding fair value changes on the Group's FA/L@FVTPL and investment properties) for the period decreased 41.5% to HK$400.4 million from HK$684.1 million in 2021. The decrease in EBITDA was mainly due to the fall in sales revenue during the period, coupled with the exchange loss of HK$129.7 million abovementioned.

As at 30 June 2022, before counting the Group's net FA/L@FVTPL, which was valued at approximately HK$1,095.6 million (31 December 2021: HK$1,590.6 million), the Group's net debt (total borrowings less cash and cash equivalents and time deposits) increased to HK$15,443.1 million from HK$14,883.2 million as at 31 December 2021, with the cash and cash equivalents and time deposits also increased to approximately HK$4,598.3 million from HK$3,817.1 million in the beginning of the year. Of the cash kept at banks, approximately 97% was denominated in US dollar and Hong Kong dollar and the remaining was in GBP, Renminbi and other foreign currencies.

As at 30 June 2022, the Group's outstanding bank loans amounted to approximately HK$11,045.2 million (31 December 2021: HK$9,729.0 million) and bonds payable amounted to approximately HK$8,996.2 million (31 December 2021: HK$8,971.3 million). The outstanding bank loans comprised HK$5,000 million term loan and HK$600 million revolving loan drawn under the 5-year HK$8,000 million secured loan facility, which consists of HK$5,000 million term loan and HK$3,000 million revolving loan. The HK$5,000 million term loan is repayable semi-annually from December 2023 onward and the interest on this loan facility is calculated with reference to HIBOR. The Group's other outstanding bank loans consisted of also a term loan of HK$3,891 million drawn under the HK$9,000 million 5-year secured project loan facility for financing payment of part of the land premium of the Kai Tak Land. This HK$3,891 million outstanding loan was fully repaid on 4 July 2022 by proceeds from a new facility. In addition, the outstanding bank loans also included the GBP125 million (equivalents to approximately HK$1,190 million) secured term loan for financing part of the acquisition cost of the London property. This loan bears interest with reference to SONIA (Sterling Overnight Interbank Average Rate) and does not require repayment until the end of the 5-year term in March 2027. The remaining outstanding bank loans represented short-term GBP loans of GBP46.5 million (equivalent to approximately HK$443.0 million) drawn under an aggregate US$725 million facilities. This short-term loan facility is secured against certain of the Group's financial assets and cash deposits and bears interest calculated with reference to LIBOR.

As at 30 June 2022, the Group's net debt to equity ratio or net gearing (defined as total borrowings less cash and cash equivalents and time deposits divided by equity attributable to owners of the Company) further increased to 797.0% (31 December 2021: 560.7%), caused mainly by the loss suffered by the Group for the period. Meanwhile, the relatively high level of net gearing was also due to the Group's self-owned store property in Causeway Bay, Hong Kong is stated at historical cost less depreciation and amortisation, thereby its fair market value has not been taken into consideration in the calculation of the equity attributable to owners of the Company.

As at 30 June 2022, the Group had aggregate unutilised banking facilities in the amount equivalent to approximately HK$12,757.3 million (31 December 2021: HK$12,843.4 million) of which approximately US$668.6 million (equivalent to approximately HK$5,248.3 million) is uncommitted.

On 28 June 2022, the Group entered into a facility agreement with a syndicate of banks for a 2-year term loan facility of up to HK$6,950 million for refinancing in part the outstanding loan amount of HK$3,891 million drawn under the HK$9,000 million project loan facility, which matured on 4 July 2022, and for providing funding to completing construction of the Kai Tak Project. This HK$6,950 million loan facility, secured by the Kai Tak Project, bears interest with reference to HIBOR and does not require repayment until the final maturity date in 2024.

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 GBP. The Group currently does not maintain 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 GBP 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 GBP.

Pledge of Assets

As at 30 June 2022, certain of the Group's leasehold land and buildings in Hong Kong with carrying values aggregating approximately HK$1,058.5 million (31 December 2021: HK$1,081.2 million), together with shares of certain subsidiaries of the Group, were pledged to secure the HK$8,000 million (31 December 2021: HK$8,000 million) loan facility granted to the Group, of which HK$5,600 million (31 December 2021: HK$3,750 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$12,186.1 million (31 December 2021: HK$11,380.1 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 2021: HK$3,891.0 million). Moreover, certain of the Group's financial assets at fair value through profit or loss, cash and cash equivalents and time deposits with carrying value amounting to approximately HK$739.4 million as at 30 June 2022 (31 December 2021: HK$2,996.3 million) were pledged to secure an outstanding loan amount of GBP46.5 million (equivalent to approximately HK$443.0 million) drawn under the aggregate facilities of up to US$725 million (31 December 2021: US$725 million). Furthermore, the Group's investment property in London with fair value at approximately HK$2,465.7 million as at 30 June 2022 was pledged to secure the term loan of GBP125 million (equivalents to approximately HK$1,190 million).

Contingent Liabilities

The Group did not have any material contingent liabilities as at 30 June 2022.

Material Acquisitions and Disposals

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

Review of Operations

Hong Kong's strictest anti-COVID-19 control measures put in place in the first few months till mid-April to combat the fifth wave of COVID-19 pandemic outbreak and the protracted cross-border travel restriction dealt a blow to the local retail market in the first half of 2022. In spite of the challenging operating environment, the Group continued to timely adjust its strategy to bolster its competitiveness and proactively grasp the market opportunities brought by gradual easing of pandemic control measures and the government's consumption voucher scheme in the second quarter of the year.

SOGO CWB

The lingering pandemic alongside contraction of local economy and austere labor market significantly undermined consumer confidence. As many businesses and consumers were still grappling with the long-lasting economic impact of the pandemic, the retail industry only saw a short-lived rebound in consumer spending in April 2022, underpinned by relaxation of virus containment measures and the government's launch of consumption voucher scheme. Sales at the flagship SOGO Causeway Bay ("SOGO CWB") in the first quarter plunged 35% year on year but with timely implementation of promotional events, the Group managed to reduce the drop to only 10.3% for the first half of 2022, as compared to a growth of 8.2% in the same period last year.

Affected by the pandemic, the store's operations and operating hours needed to be adjusted from time to time to prioritize the safety of staff, customers and business partners during the period under review. As the tough anti-virus measures implemented by the government to curtail the outbreak of COVID-19 pandemic in the first quarter of 2022 severely affected business activities and customer patronage, the overall traffic footfall saw a decrease of 17.4%, but average ticket-size (excluding transactions from the Freshmart supermarket) edged up 2.8% to HK$1,639 as sales of jewelry and luxury goods, together with cosmetics and skincare products outperformed. Stay-and-buy ratio increased by 2.6 percentage points to 40.4% as the overall foot-traffic decreased.

With seasoned management leadership and strong brand equity, the Group rolled out a series of appealing customer-centric promotions with various payment gateways and business partners to stimulate sales amidst the pandemic, including extending the store's iconic SOGO Thankful Week to a 40-day long event to fully exploit the business opportunities brought by the consumption voucher scheme.

As part of the Group's long-term strategy and in the wake of stiff market headwinds, the Group continued to step up efforts in strengthening its omni-channel capabilities with acceleration of digitalization and enhancement of its SOGO eStore experiences, while also striving to attract repeated purchases and boost customer loyalty through continuous optimization of its SOGO Rewards program. The Group also leveraged on interactive marketing campaigns, including introducing pop-up stores of popular brands, to drive foot traffic to the store.

Comparing to a low base saw in the first half of last year when the retailing market confidence was still not recovered, demand for airtime had a strong start in the beginning of the year though it started to soften amid the deteriorating retailing environment during the fifth wave of the pandemic. Overall, advertising income during the period from CVISION, the Group's outdoor full-HD LED advertising screen at the building façade of SOGO CWB, managed to record a 26.7% increase in advertising income as compared to the same period last year.

SOGO TST

With strict cross-border travel restriction measures to curb the COVID-19 pandemic continued to be in force, standstill of inbound tourism persisted in the first half of 2022 and visitor arrivals remained substantially below the pre-pandemic level. Given the lack of tourist spending and sluggish local consumer sentiment, the short-lived boost from the consumption voucher scheme offered limited support to the operations of the Group's tourist-dependent SOGO Tsim Sha Tsui ("SOGO TST"). Sales at SOGO TST plunged 22.0% in the first half of the year, compared with a 6.8% year-on-year increase in the same period last year. Similar to the CWB store, SOGO TST was also subject to shortening of operating hours during certain periods that 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 hit hard by the anti-COVID-19 pandemic related measures during the period under review, with its business receipts saw a decline of 40.6% year-on-year to approximately HK$16.6 million, as compared to a 25.6% increase during the same period last year.

London Property

For the first half of 2022, the gross rental income generated by the London-based commercial property, under the same single tenant lease, amounted to GBP5.6 million. Affected by the currency depreciation of the GBP, the rental in HK$ equivalent dropped 5.8% to approximately HK$56.5 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.

Construction works of the Kai Tak Project have been affected to some extent by the pandemic during the period under review but there's no major impact on the overall schedule of completion of the twin-tower complex. Preliminary leasing works have commenced and the Kai Tak retail complex is expected to be in business by the end of 2023 at the earliest. The Group believes that the twin-towers retail complex 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 pessimistic view on Hong Kong's retail sector in the second half of the year, as the recent rebound in local COVID-19 infections poses challenges to the recovery of Hong Kong's economy and clouds the prospect of the city's long-awaited border reopening. Moreover, worsening global economic outlook in the wake of intensifying geopolitical tensions and continuous supply chain disruptions, coupled with monetary tightening policies to tame soaring inflation would further undermine business confidence and dampen consumer spending.

Meanwhile, China, which reels under economic slowdown, is fighting fresh COVID-19 flare-ups across the country with mass testing and renewed travel restrictions. The new outbreaks have stirred concerns of a return to harsh measures and lockdowns that would severely disrupt further the manufacturing sector, supply chain and normal economic activities. Anti-COVID-19 restrictions of the world's second largest economy will therefore continue to remain an overhang on the global economy.

Whist the Hong Kong government will continue to finishing the second phase of the consumption voucher scheme in the second half of the year, it is hopeful that it may roll-out other stimulus measures to support domestic demand and rejuvenate the local economy. However, the long-term economic impact of the COVID-19 pandemic caused by the uncertainties over its lingering development is set to weigh on consumer sentiment and pressure the retail industry. Even with the borders with mainland China being reopened at some stage, a full recovery of the retail industry back to the pre-pandemic level remains formidable in the foreseeable future, given the pandemic might have permanently altered the retailing landscape and drastically changed the consumer behavior.

Notwithstanding the current challenges, the Group stays confident about the future of Hong Kong as the city's increasing integration with the Greater Bay Area will offer tremendous growth potential for the local economy and retail industry in the long run. With our solid brand equity and visionary management team, the Group is well-positioned to seize the business opportunities arising from improved connectivity within the region.

As a prominent retail operator in Hong Kong, the Group will continue to optimize its operations with technology and deepen engagements with customers in order to fortify its comprehensive competitiveness and stay ahead in a rapidly evolving retail landscape.

As our long-term commitment to shareholders, the Group will continuously strive for sustainable growth and better returns through pursuing lucrative long-term business opportunities and capitalizing on strategic investments.

EMPLOYEES

As at 30 June 2022, the Group maintained a fulltime workforce of 652 employee. Staff costs (excluding directors' emoluments) amounted to HK$105.3 million (2021: HK$106.2 million) for the six months ended 30 June 2022. 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

During the six months ended 30 June 2022, the Company had repurchased an aggregate principal amount of US$5,000,000 of the 4.25% guaranteed bonds due 2022 (bond code: 4571) ("2022 Guaranteed Bonds"), representing approximately 1.7% of the initial principal amount of the 2022 Guaranteed Bonds, for an aggregate consideration of approximately US$5,026,000. The repurchased 2022 Guaranteed Bonds had been cancelled subsequently.

As at 30 June 2022, the aggregate principal amount of the outstanding 2022 Guaranteed Bonds amounted to US$200,402,000, representing 66.8% of the initial principal amount of the 2022 Guaranteed Bonds.

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 2022.

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 2022.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June 2022 have been reviewed by the audit committee of the Company, and by the auditor 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, 28 July 2022

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, Mr. Shek Lai Him, Abraham, Mr. Hui Chiu Chung and Mr. Ip Yuk Keung as independent non-executive directors.