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, 2012

HIGHLIGHTS

- Turnover amounted to HK$2,646.0 million, increased 10.0%
- Profit attributable to owners for the period up 12.7% to HK$909.9 million
- Earnings per share increased 13.5% to HK cents 54.6
- Interim dividend HK cents 21.8 per share

RESULTS

The board of directors (the "**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, 2012, together with comparative figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE, 2012

	NOTES	Six months ended 30 June, 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Turnover	*3*	**2,646,040**	2,405,020
Cost of sales	*4*	**(1,091,265)**	(1,009,213)
Gross profit		**1,554,775**	1,395,807
Other income		**105,708**	102,811
Selling and distribution costs		**(496,372)**	(455,044)
Administrative expenses		**(110,813)**	(106,806)
Investment income	*5*	**138,816**	47,059
Fair value changes on investment properties		**4,704**	7,121
Share of profit of a jointly controlled entity		**15,527**	14,765
Share of profits of associates		**126,084**	84,711
Finance costs	*6*	**(135,405)**	(20,538)
Profit before taxation		**1,203,024**	1,069,886
Taxation	*7*	**(199,369)**	(186,151)
Profit for the period	*8*	**1,003,655**	883,735
Other comprehensive (expense) income			
Exchange difference arising on translation of foreign operation		**(78,807)**	90,952
Share of exchange differences of associates		**(11,835)**	14,408
Share of exchange difference of a jointly controlled entity		**(2,542)**	4,348
Transfer of properties to investment properties			
- surplus on revaluation		**168,877**	-
- deferred tax relating to revaluation surplus		**(42,394)**	-
Other comprehensive (expense) income for the period		**33,299**	109,708
Total comprehensive income for the period (net of tax)		**1,036,954**	993,443
Profit for the period attributable to:			
Owners of the Company		**909,885**	807,309
Non-controlling interests		**93,770**	76,426
		1,003,655	883,735
Total comprehensive income attributable to:			
Owners of the Company		**948,995**	908,706
Non-controlling interests		**87,959**	84,737
		1,036,954	993,443
Earnings per share	*10*		
– basic		**HK$0.546**	HK$0.481
– diluted		**HK$0.543**	HK$0.477

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE, 2012

	NOTES	30 June, 2012 HK$'000 (Unaudited)	31 December, 2011 HK$'000 (Audited) (Restated)
Non-current assets			
Investment properties		**1,986,330**	1,147,261
Property, plant and equipment		**3,990,679**	3,985,972
Prepaid lease payments		**704,106**	1,373,133
Long-term deposits paid		**628,930**	631,214
Interests in associates		**2,154,088**	2,039,839
Interest in a jointly controlled entity		**499,074**	486,089
Club debenture		**12,737**	12,737
		9,975,944	9,676,245
Current assets			
Inventories		**68,362**	71,949
Prepaid lease payments		**22,476**	22,715
Trade and other receivables	*11*	**350,539**	326,673
Amount due from a jointly controlled entity		**122,052**	69,899
Financial assets at fair value through profit or loss		**1,744,617**	1,144,574
Bank balances and cash		**8,353,517**	7,269,294
		10,661,563	8,905,104
Current liabilities			
Trade and other payables	*12*	**1,678,848**	2,078,733
Tax payable		**325,413**	262,877
Bank and other borrowings – due within one year		**821,133**	2,693,114
Derivative financial instruments		**6,882**	14,333
		2,832,276	5,049,057
Current assets less current liabilities		**7,829,287**	3,856,047
		17,805,231	13,532,292

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30 JUNE, 2012

	30 June, 2012	31 December, 2011
	HK$'000	*HK$'000*
	(Unaudited)	(Audited) (Restated)
Non-current liabilities		
Bank and other borrowings – due after one year	**7,631,178**	3,930,620
Deferred tax liabilities	**308,585**	252,237
Amount due to a non-controlling shareholder of subsidiaries	**172,577**	174,379
	8,112,340	4,357,236
	9,692,891	9,175,056
Capital and reserves		
Share capital	**8,320**	8,338
Reserves	**8,790,086**	8,360,192
Equity attributable to owners of the Company	**8,798,406**	8,368,530
Non-controlling interests	**894,485**	806,526
	9,692,891	9,175,056

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE, 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has adopted and applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA:

- Amendments to HKFRS 7 "Financial instruments: Disclosures - Transfers of financial assets"; and
- Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets"

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets

Under the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group's investment properties are situated in the People's Republic of China ("PRC") and Hong Kong, which are measured using the fair value model. For the purpose of application of the amendments to HKAS 12, the directors reviewed the Group's investment properties portfolios as at 31 December 2011 and concluded that the Group's investment properties situated in the PRC and Hong Kong amounting to HK$618,914,000 (2010: HK$1,051,380,000) and HK$53,250,000 (2010: HK$52,480,000) respectively are not held under a business model whose objective is to consume substantially all of the economic benefits embodies in the investment properties over time, and that the presumption set out in the amendments to HKAS 12 is not rebutted.

On the other hand, the Group has rebutted the presumption in respect of the Group's remaining investment properties situated in the PRC (other than those mentioned above) amounting to HK$475,097,000 as at 31 December, 2011 (2010: HK$505,158,000) as such properties are depreciable and are held within a business model whose objective is to consume substantially all of

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12 Deferred tax: Recovery of underlying assets (Continued)

the economic benefits embodied in the investment properties over time. Accordingly, the adoption of amendments to HKAS 12 has no impact on the deferred tax liabilities in respect of the remaining properties.

As a result of the application of the amendments to HKAS 12, the Group has recognised deferred taxes on changes in fair value of the investment properties in the PRC as those properties are subject to land appreciation taxes and income taxes upon disposal. Previously, the Group did not recognise deferred taxes on land appreciation tax due to changes in fair value of investment properties in the PRC on the basis that the entire carrying amounts of the properties were recovered through use.

The amendments to HKAS 12 have been applied retrospectively, resulting an increase in the Group's deferred tax liabilities amounting to HK$31,642,000 as at 31 December 2011. The corresponding adjustment has been recognised in retained earnings.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the financial positions of the Group as at the end of the immediately preceding financial year, i.e. 31 December 2011, is as follows:

	As at 31.12.2011 (originally stated)	Adjustments	As at 31.12.2011 (restated)
	HK$'000	HK$'000	HK$'000
Deferred tax liabilities	(220,595)	(31,642)	(252,237)
Total effects on net assets	(220,595)	(31,642)	(252,237)
Retained profits, total effects on equity	6,920,243	(31,642)	6,888,601

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The effect of the change in accounting policy described above on the financial positions of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1.1.2011 (originally stated) HK$'000	Adjustments HK$'000	As at 1.1.2011 (restated) HK$'000
Deferred tax liabilities	(198,576)	(48,402)	(246,978)
Total effects on net assets	(198,576)	(48,402)	(246,978)
Retained profits, total effects on equity	5,057,400	(48,402)	5,008,998

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold by the Group to outside customers, net of discounts and sales related taxes, income from concessionaire sales, services income and rental income during the period, and is analysed as follows:

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Sales of goods – direct sales	**1,478,834**	1,358,328
Income from concessionaire sales	**1,048,032**	942,275
Service income	**55,156**	56,324
Rental income	**64,018**	48,093
	2,646,040	2,405,020

3. TURNOVER AND SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review:

Six months ended 30 June, 2012

	Hong Kong *HK$'000*	**PRC** *HK$'000*	**Consolidated total** *HK$'000*
Segment revenue			
External sales	**2,092,765**	**553,275**	**2,646,040**
Result			
Segment result	**909,236**	**144,062**	**1,053,298**
Investment income			**138,816**
Fair value changes on investment properties			**4,704**
Share of profit of a jointly controlled entity			**15,527**
Share of profits of associates			**126,084**
Finance costs			**(135,405)**
Profit before taxation			**1,203,024**

Six months ended 30 June, 2011

	Hong Kong HK$'000	PRC HK$'000	Consolidated total HK$'000
Segment revenue			
External sales	1,899,817	505,203	2,405,020
Result			
Segment result	813,154	123,614	936,768
Investment income			47,059
Fair value changes on investment properties			7,121
Share of profit of a jointly controlled entity			14,765
Share of profits of associates			84,711
Finance costs			(20,538)
Profit before taxation			1,069,886

Segment profit represents the profit earned by each segment without share of profits of associates and a jointly controlled entity, fair value changes on investment properties, investment income and finance costs. This is the measure reported to the Board of Directors of the Company for the purposes of resource allocation and performance assessment.

4. COST OF SALES

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
The cost of sales are analysed as follows:		
Cost of goods sold	**1,047,922**	966,446
Other cost of sales	**43,343**	42,767
	1,091,265	1,009,213

5. INVESTMENT INCOME

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Interest income on bank deposits	**89,125**	12,776
Dividend income from financial assets at fair value through profit or loss	**2,776**	8,975
Change in fair value from		
- financial assets at fair value through profit or loss	**34,558**	26,313
- derivative financial instruments	**12,357**	(1,005)
	138,816	47,059

6. FINANCE COSTS

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings and overdrafts:		
– wholly repayable within five years	**65,133**	18,322
– wholly repayable after five years	**2,354**	4,535
Bonds:		
– wholly repayable within five years	**82,173**	–
Others	**91**	98
	149,751	22,955
Less: Amount capitalised	**(14,346)**	(2,417)
	135,405	20,538

7. TAXATION

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**145,079**	135,104
PRC Enterprise Income Tax	**40,336**	41,018
	185,415	176,122
Deferred tax:		
Current year	**13,954**	10,029
	199,369	186,151

Hong Kong Profits Tax is provided at 16.5% (six months ended 30 June, 2011: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30 June, 2011: 25%) on the estimated assessable profit for the period.

8. PROFIT FOR THE PERIOD

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation	**109,128**	104,943
Equity-settled share-based payment expense	**221**	1,393
Release of prepaid lease payments	**5,375**	5,349

9. DIVIDENDS

During the current interim period, a final dividend of HK cents 25.7 per share in respect of the year ended 31 December 2011 (2011: HK cents 19.0 per share in respect of the year ended 31 December 2010) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to HK$429,003,000 (2011: HK$319,268,000).

Subsequent to the end of the interim period, the Board has declared that an interim dividend of HK cents 21.8 in cash per share (2011: HK cents 19.2) will be paid to the owners of the Company whose names appear in the Register of Members on 24 August, 2012.

10. EARNINGS PER SHARE

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

	Six months ended 30 June,	
	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**909,885**	807,309

	30 June, 2012	30 June, 2011
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,667,909**	1,680,005
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**6,488**	11,292
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,674,397**	1,691,297

11. TRADE AND OTHER RECEIVABLES

	30 June, 2012	31 December, 2011
	HK$'000	*HK$'000*
Trade receivables	**98,173**	91,058
Other receivables, deposits and prepayments	**252,366**	235,615
Total trade and other receivables	**350,539**	326,673

The Group's retail sales to customers are mainly made in cash, through debit card or credit card payments without a defined credit policy, as its major trade receivables arise from credit card sales and other receivables are normally settled 30 days in arrear. The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	30 June, 2012	31 December, 2011
	HK$'000	*HK$'000*
0 – 30 days	**94,868**	89,456
31 – 60 days	**2,055**	1,335
61 – 90 days	**714**	235
Over 90 days	**536**	32
	98,173	91,058

12. TRADE AND OTHER PAYABLES

	30 June, 2012 *HK$'000*	31 December, 2011 *HK$'000*
Trade payables	**206,330**	291,820
Concessionaire sales payable	**817,273**	1,168,121
Other payables, deposits and accrued charges	**655,245**	618,792
Total trade and other payables	**1,678,848**	2,078,733

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

	30 June, 2012 *HK$'000*	31 December, 2011 *HK$'000*
0 – 30 days	**160,339**	251,839
31 – 60 days	**41,191**	37,459
61 – 90 days	**1,907**	514
Over 90 days	**2,893**	2,008
	206,330	291,820

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

INTERIM DIVIDEND

The Board has declared an interim dividend for the six months ended 30 June, 2012 of HK cents 21.8 (the "**Interim Dividend"**) (2011: HK cents 19.2) in cash per share. The Interim Dividend will be paid on or about Friday, 31 August, 2012 to shareholders whose names appear on the Register of Members of the Company at the close of business at 4:30 p.m. on Friday, 24 August, 2012.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to the Interim Dividend, the Register of Members of the Company will be closed from Wednesday, 22 August, 2012 to Friday, 24 August, 2012 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the Interim Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 21 August, 2012.

FINANCIAL REVIEW

Turnover and Sales Proceeds

For the period under review, the Group's turnover grew to HK$2,646 million, a 10% increase from HK$2,405 million recorded in the first half of 2011. Net sales proceeds were up 9.8% from HK$5,591 million to HK$6,137 million, with the Hong Kong operations contributing HK$4,495 million and PRC stores HK$1,642 million, respectively accounting for 73% and 27% of the Group's sales proceeds.

Gross Profit and Gross Margin

Gross profit margin as a percentage of net sales proceeds was 25.3% for the first half of 2012, compared with 25.0% for the same period in 2011. The mild improvement in gross margin was mainly attributable to lower sales growth of certain merchandizes, such as gold, jewellery and luxury accessories items, which carry lower commission rates, during the period as compared to the same period last year. Gross profit rose to HK$1,555 million, up 11.4% from HK$1,396 million in 2011. Gross profit margin as a percentage of turnover edged up to 58.8% from 58.0% in 2011.

Net Profit

During the period under review, the Group's net profit attributable to owners of the Company was approximately HK$910 million, up 12.7% from HK$807 million over the same period in 2011. Profit before non-controlling interests as a percentage of turnover increased from 33.6% to 37.9%. The mild margin expansion was attributable to still positive operating leverage from the Group's Hong Kong operations. Interest and investment income from the Group's surplus cash and investment portfolio has seen significant increase during the period as compared to last year but at the same time this was somewhat off-set by a much higher finance cost associated with the US dollar bond issued during the period. The resulting net interest/investment income for the period was HK$3.4 million verse that of HK$27 million same period last year. The group's net profit for the period has further been lifted by an increased share of profit of associates of some HK$41 million (before non-controlling interests) during the period.

Selling and Distribution Costs

The increase of approximately 9.1% of the Group's selling and distribution costs during the period was due mainly to an increase in staff costs, higher promotional and marketing expenses and repair and maintenance costs. Total selling and distribution expenses as a percentage of total sales proceeds of the Group remained relatively stable at around 8%.

Administrative Expenses
The Group's administrative expenses during the period were rather stable and similar to last year represented approximately 1.8% of the Group's total sales proceeds.

Finance Costs
The Group's finance costs surged from HK$20.5 million same period last year to HK$135.4 million during the period which comprised mainly interests on bank loans, including the HK$5 billion syndicated loan facilities as well as additional interests in respect of the US$500 million bonds. During the period under review, a total of HK$14.3 million (2011: HK$2.4 million) of interest has been capitalised as part of the costs of property under development.

Investment Income
Investment income of HK$138.8 million (2011: HK$47.1 million) comprises interest and investment income from the Group's surplus funds and investment portfolio as well as fair value changes on the investment portfolio which consists mainly of fixed income investment products. The significant increase in interest income this period was mainly due to higher level of surplus cash and bank balances resulting from the bond proceeds and drawdown of the Group's bank loans before they are applied to settling capital expenditures of the Group.

Liquidity and Financial Resources
The Group was at slight net debt position (HK$98 million) as at 30 June, 2012, with approximately HK$8,354 million of cash and bank balances, and approximately HK$4,577 million of bank loans and HK$3,875 million bonds payable. The Group should have been at net cash position at 30 June, 2012 had it not increased its investment portfolio during the period for the purpose of enhancing the overall yield on surplus cash. The investment portfolio, comprising mainly fixed income products such as corporate bonds and certificate of deposits issued by banks, increased from HK$1,094 million at the beginning of the year to HK$1,694 million as at 30 June, 2012.

Approximately 52% of the Group's total cash and bank balances were held at banks in Hong Kong and the remaining approximately 48% are deposited with banks in the PRC. The Group's bank loans included a HK dollar-denominated secured 5-year (due in September 2016) loan facility of HK$5,000 million, of which HK$3,336 million has been utilised as at 30 June, 2012 which is repayable semi-annually. The remaining one third of the HK$5,000 million facility is of a revolver nature. This loan facility bears interest calculated with reference to the HIBOR. Other bank loans comprised RMB350 million (equivalent to HK$427.4 million) term loan bearing interest calculated with reference to the PBOC lending rate; an unsecured 3-year term loan of RMB290 million (equivalent to HK$354.1 million) bearing fixed interest rate, as well as US$59.3 million (equivalent to HK$459.8 million) US dollar loans bearing interest with reference to LIBOR and secured against certain of the Group's financial investments. Apart from the above, the Group also has a HK$400 million unsecured undrawn loan facility available for general working purposes as at the end of the reporting period.

Pledge of Assets
As at 30 June, 2012, certain of the Group's land and buildings with a book value of HK$1,480.8 million (31 December, 2011: HK$1,502.9 million), together with shares in certain subsidiaries of the Group, were pledged to a group of banks to secure the HK$5,000 million banking facility granted to the Group, of which HK$3,336 million was outstanding. In addition, certain of the Group's property, plant and equipment in the PRC and financial assets at fair value through profit or loss with carrying values of approximately HK$1,445.9 million (31 December, 2011: HK$1,489.3 million) and HK$519.2 million (31 December, 2011: HK$465.9 million) respectively have been pledged to secure loan facilities amounting to approximately RMB350 million (31 December, 2011: RMB350 million) and US$59.3 million (31 December, 2011: US$55.9 million).

REVIEW OF OPERATIONS

Retail Market Overview

The first half of 2012 has been bumpy for the global economy. At the start of the year, there was mild optimism that a global economic recovery was on the horizon but this outlook was soon blighted by growing uncertainties around the world. The major challenges came from intensifying financial stress in Europe as the sovereign debt crisis in the Eurozone showed no signs of abating while the pace of recovery of the US economy did not seem sustainable.

For a while, Asia has been a key region powering the global economy and leading the world out of the global financial crisis. In the first half of 2012, however, the regional economic growth moderated due to slower growth or reduced demand from the more developed markets. China, the biggest economy in the region, as a result saw its annual GDP growth rate drop from 8.1% to 7.6%, its slowest pace since early 2009. The deceleration was a result of the waning exports, cooling of the property market, and China's self-geared slowdown of fixed-asset investment.

The economy in Hong Kong has not been spared, with the real GDP growth tapering off from 3% in the fourth quarter of 2011 to 0.4% in the first quarter of 2012. The deceleration was largely a result of falling foreign demand for exports and negative market sentiment amid the challenging external environment. Nonetheless, the domestic sector continued to display strength and the retail market reported notable growth during the review period, thus helping to cushion the overall economic blow.

In Hong Kong

The first half of 2012 unveiled a largely solid run for the Hong Kong retail market despite the challenging external environment. Retail sales in the first quarter remained strong, up by 15.9%, with sales of jewellery, watches and other valuable goods rising 17.2% compared to the same period last year. To a lesser extent, department store sales also saw a decent growth of 12.5%. But growth slowed down around the second quarter as the deepening Eurozone debt crisis weighed on market sentiment and dampened consumer confidence. The fact that the exceptionally high growth recorded last year also put pressure on the year-on-year growth in 2012 and as such, retail sales growth dropped to 13.1% in the first six months from 24.4% in the first six months last year. Department store segment recorded 10.8% growth year-on-year.

During the review period, visitors from mainland China, many of whom favoured luxury brands, remained the key pillar propping up Hong Kong's inbound tourism growth, surging 22.7% year-on-year to 15.6 million visitors over the first six months of 2012. Inbound tourist arrivals surged 15.5% to 22.3 million year-on-year for the first half of 2012.

In China

China continued to play a leading role in driving economic growth in Asia and the world as a whole. Nonetheless, the Chinese economy has not been spared from the slowdown in global growth.

In the first six months of 2012, retail sales in China rose 14.4% to RMB9.82 trillion, representing a slight fall of 2.4% from 16.8% recorded for the same period in 2011. Unlike in the previous year, inflation is no longer an imminent threat to policy makers in China. In June 2012, the annual consumer inflation cooled to a 29-month low of 2.2%. While the fall was positive news to mainland consumers, it was also a reflection of waning demand from overseas markets.

Performance by Store

Hong Kong

Lifestyle International’s two stores in Hong Kong performed largely in line with the local retail market, which reported rather strong sales growth in the first quarter before slowing down moderately thereafter. On the whole, both Sogo Causeway Bay (“SOGO CWB”) and Sogo Tsim Sha Tsui (“SOGO TST”) delivered double-digit growth in sales revenue, amounting to approximately HK$4.5 billion that represents 11.7% increase year-on-year. Aggregate sales revenue of the two stores accounted for 2.0% of Hong Kong’s gross retail sales (1H2011: 2.0%), and 21.5% of department store sales in Hong Kong (1H2011: 21.3%).

SOGO CWB remained the biggest contributor to the Group’s revenue. For the first half of the year, total sales revenue rose 11.1% to reach HK$4,045 million, a moderate increase compared with 23.1% for the same period last year. The growth this time was not only driven by increase in the average ticket size but also an increase in total traffic footfall. Ticket size went up 6.1% to HK$748.

During the review period, the store underwent a series of upgrading initiatives and the merchandise mix was further refined by adding a number of new concessionaires. All these were aimed to enrich shoppers’ experience so as to consolidate customer loyalty at SOGO CWB.

The Thankful Week in May at SOGO CWB was another record-breaking event, raking in HK$565 million in sales, up 13.3% from the same event last year.

SOGO TST outperformed the market with sales revenue up 18.1% to HK$450 million for the first half of 2012. The rise was driven noticeably by an expansion in ticket size and traffic, which respectively were up 9.6% and 4.4% over the same period last year.

Mainland China

The downtrend of the growth of the Chinese retail market and the impact of growing competition were in general reflected in the performances of Lifestyle International's operations in Mainland China during the first half of 2012, with most of them reporting less than stellar growth.

During the first six months, Shanghai Jiuguang recorded an average negative growth of 2.9%. The fall was due to the weakening market sentiment and also a result of a major refurbishment initiative in the jewellery section that took place in March and April during which period, both the traffic footfall and the sales went down. The situation started to improve after the section reopened shortly before the golden week holiday in the first week of May. On the whole, the store recorded net sales takings totaling RMB955 million for the period under review, versus RMB983 million for the same period of last year. Average ticket size remained flat with the stay-and-buy ratio down marginally, reflecting a relatively low consumer sentiment. Over the years, Shanghai Jiuguang has nurtured a loyal clientele consisting of a growing number of affluent and middle-class consumers. As sales of the store are believed to have bottomed out in the first half of the year, this group of customers is expected to help bolster sales growth in the second half.

Suzhou Jiuguang, still a young store, saw a marked uptick in sales despite sluggish market sentiment during the review period. This reflected the store's continuous growth in popularity. Following the opening of Line 1 of the Suzhou Rail Transit on 28 April, 2012 we have seen a rising trend of traffic footfall of the store which we believe should encourage further growth of the store in the near future. In the first six months of the year, net sales revenue grew 20.7% year-on-year with the average daily traffic footfall rose to 16,500 from 13,300.

In Northern China, Dalian Jiuguang's performance mirrored the market conditions, posting a negative growth rate of 7.0% in the first half of the year, compared with 34.1% positive growth in the same period last year. During the period, the Group continued to make adjustments to the store's brand mix and stepped up marketing efforts to build a loyal client base. It is expected that the effects of these initiatives will be felt when market conditions improve.

The Tianjin Lifestyle Plaza, the Group's first shopping mall in the PRC launched into operation in late 2010, performed steadily and the Group has been working to make adjustments to its tenant mix so as to further improve the rental income and traffic footfall.

The Group's equity investment in the Beiren Group, a leading retailer based in Shijiazhuang, delivered impressive sales growth for the first six months of the year, with sales revenue increased approximately 22% year-on-year. On the whole, share of results by the Group increased around 48% over the same period last year.

The Group's Shenyang Jiuguang store is under renovation and leasing work is progressing according to plan. The store is scheduled for opening in 2013. As for the new Zhabei project which land was acquired in December 2011, the Group is in the process of obtaining various permits before the construction work commences before the end of this year. This Zhabei commercial complex, comprising a large retail structure and office area, will also house the Group's second Shanghai Jiuguang store and is expected to be launched in 2016.

OUTLOOK AND PLAN

The global economy is likely to present a somewhat mixed picture in the second half of 2012 where concerns over financial stability in the Eurozone may continue and recovery of the US economy may remain slow. It is believed that emerging economies including China should be bottoming-out and we should see recovery in the second half of the year. However the extent of recovery would depend largely on the development of the European debt crisis and the global economic recovery. In view of this, the management takes a cautious view on the market development in the months to come.

Nevertheless, there are still hopes of a relatively stronger economic growth in China despite various challenges in the second half of the year, which may bode well for the retail market and hence the Group's operations. Global institutions, including the People's Bank of China, are making concerted efforts to stabilize the global financial system and stimulate the world economy. Meanwhile, the recent loosening of monetary policy in China is expected to add further impetus to the economy, with capital intensive investment set to benefit the most. This positive effect may be reflected in the consumption market at a later stage.

The Group's home market Hong Kong has also been affected by the volatility and uncertainties around the globe. However, the management believes that with the relatively positive local job market conditions and strong inbound tourism, the retailing industry should be able to enjoy sustainable growth and therefore its SOGO operations will continue to perform steadily. Being the preferred shopping destinations, the Group's Sogo stores will continue to benefit from the continuous increase in tourist arrivals, in particular those from Mainland China.

A relatively small operation, the SOGO TST has been operating on a leased premise since October 2005 and it has been delivering satisfactory results and contributing steady profit and cash flows to the Group. As mentioned in the Company's announcement dated 31 July, 2012, we regret to report that the landlord has exercised its rights conferred in the lease to early terminate the tenancy which otherwise will not expire until the year 2020. The Group has negotiated and finally agreed with the landlord on 31 July, 2012 by entering into a supplemental agreement to terminate the lease and handover the premise back to the landlord on 15 February, 2014. Accordingly, the SOGO TST will cease business by then.

While the management will try to look for a replacement location but given the scarce supply of retail space in Hong Kong, the focus of the Group will continue to be in Mainland China. The Group has long been enjoying a strong financial position and cash flow and recently it has leveraged its strong financial credibility by raising funds from the bond market through the issue of a total of US$500 million 5-year guaranteed unsecured bonds, bearing a coupon rate of 5.25%. The net proceeds have been designated for funding the land acquisition and related capital expenditures of the Group's new project in Zhabei District, Shanghai.

Through a host of prudent and well-crafted business and marketing plans, the Group will exploit the platform provided by our existing businesses to drive organic revenue growth and margin improvement. We will remain focused on sustaining our leading position in the Hong Kong market in the foreseeable future, with or without SOGO TST. In Mainland China, we will continue to refine and reinforce our operations while drawing up sensible business and promotion strategies that cater to specific local conditions. While the on-going uncertainties in the global economy demands prudent decisions, the management will keep itself open to lucrative opportunities that can be aligned with the Group's growth strategy, with a view to generating maximum returns for shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

During the six months ended 30 June, 2012, the Company repurchased 6,877,500 ordinary shares on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) at an aggregate consideration of approximately HK$112 million (excluding expenses) for enhancing its per share net asset value and earnings. All the repurchased shares were subsequently cancelled. Details of the repurchase of shares are summarized as follows:

Month of the repurchase	Total number of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration (excluding expenses)
		HK$	*HK$*	*HK$*
May 2012	1,563,500	16.38	15.60	24,840,060
June 2012	5,314,000	16.52	15.92	86,708,180
	6,877,500			111,548,240

Saved as those disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June, 2012.

CODES COMPLIANCE

The Stock Exchange has enhanced the Code on Corporate Governance Practices (the “**Former Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”), where the revised code, namely Corporate Governance Code (the “**Revised Code**”), becomes effective on 1 April, 2012.

The Company has complied with all the applicable code provisions of the Former Code and the Revised Code throughout the respective periods from (i) 1 January, 2012 to 31 March, 2012; and (ii) 1 April, 2012 to 30 June, 2012, except code provision E.1.2 under the Revised Code.

Code provision E.1.2 under the Revised Code requires that chairman of the Board should attend the Company's annual general meeting. Due to other business engagements, Dato' Dr. Cheng Yu-tung, the Chairman of the Board was unable to attend the 2012 annual general meeting of the Company.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30 June, 2012 have been reviewed by the Audit Committee and the auditors of the Company.

ACKNOWLEDGEMENT

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

On behalf of the Board
Lifestyle International Holdings Limited
Lau Luen-hung, Thomas
Managing Director

Hong Kong, 6 August, 2012

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Lau Luen-hung, Thomas and Mr. Doo Wai-hoi, William; four non-executive Directors, namely Dato' Dr. Cheng Yu-tung, Dr. Cheng Kar-shun, Henry, Mr. Lau Luen-hung, Joseph and Ms. Lau Yuk-wai, Amy; and four independent non-executive Directors, namely, Mr. Lam Siu-lun, Simon, Mr. Cheung Yuet-man, Raymond, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen.