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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)

ANNOUNCEMENT
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

HIGHLIGHTS

- Turnover amounted to HK$2,405 million, representing 20.6% increase
- Profit for the period surged 30.6% to HK$807 million
- Earnings per share increased 30.4% to HK cents 48.1
- Interim dividend HK cents 19.2 per share

RESULTS

The Board of Directors (the "**Board**") of Lifestyle International Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results for the six months ended 30th June, 2011 of the Company and its subsidiaries (collectively, the "**Group**"), together with comparative figures for the previous period, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

	NOTES	Six months ended 30th June, 2011 HK$'000 (Unaudited)	2010 HK$'000 (Unaudited) (Restated)
Turnover	*4*	**2,405,020**	1,993,433
Cost of sales	*5*	**(1,009,213)**	(850,344)
Gross profit		**1,395,807**	1,143,089
Other income		**102,811**	86,453
Selling and distribution costs		**(455,044)**	(420,408)
Administrative expenses		**(106,806)**	(98,465)
Investment income	*6*	**47,059**	1,669
Fair value changes on investment properties		**7,121**	3,239
Share of profit of a jointly controlled entity		**14,765**	7,361
Discount arising on acquisition of additional interest in an associate		**–**	114,556
Share of profits of associates		**84,711**	44,747
Finance costs	*7*	**(20,538)**	(17,873)
Profit before taxation		**1,069,886**	864,368
Taxation	*8*	**(186,151)**	(146,444)
Profit for the period	*9*	**883,735**	717,924
Other comprehensive income			
Exchange difference arising on translation of foreign operation		**90,952**	42,652
Share of exchange differences of associates		**14,408**	–
Share of exchange difference of a jointly controlled entity		**4,348**	–
Other comprehensive income for the period		**109,708**	42,652
Total comprehensive income for the period		**993,443**	760,576
Profit for the period attributable to:			
Owners of the Company		**807,309**	617,945
Non-controlling interests		**76,426**	99,979
		883,735	717,924
Total comprehensive income attributable to:			
Owners of the Company		**908,706**	653,731
Non-controlling interests		**84,737**	106,845
		993,443	760,576
Earnings per share	*11*		
– basic		**HK$0.481**	HK$0.369
– diluted		**HK$0.477**	HK$0.366

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2011

	NOTES	30th June, 2011 HK$'000 (Unaudited)	31st December, 2010 HK$'000 (Audited)
Non-current assets			
Investment properties		**1,025,947**	1,609,018
Property, plant and equipment		**3,839,394**	3,815,144
Prepaid lease payments		**1,351,237**	1,334,765
Deposits paid for acquisition of property, plant and equipment		**10,232**	3,083
Interests in associates		**1,884,856**	1,348,828
Interest in a jointly controlled entity		**487,042**	467,929
Club debenture		**12,737**	12,737
		8,611,445	8,591,504
Current assets			
Inventories		**61,922**	61,611
Prepaid lease payments		**21,931**	21,721
Trade and other receivables	*12*	**184,479**	214,012
Amount due from a jointly controlled entity		**129,413**	–
Financial assets at fair value through profit or loss		**1,146,132**	786,370
Bank balances and cash		**3,673,899**	3,760,829
		5,217,776	4,844,543
Assets classified as held for sale	*13*	**726,086**	436,909
		5,943,862	5,281,452
Current liabilities			
Trade and other payables	*14*	**1,477,228**	2,009,463
Amount due to a jointly controlled entity		**–**	29,934
Tax payable		**234,289**	166,742
Bank borrowings – due within one year		**3,271,257**	2,985,200
Derivative financial instruments		**1,005**	–
		4,983,779	5,191,339
Liabilities associated with assets classified as held for sale	*13*	**219,482**	–
		5,203,261	5,191,339
Net current assets		**740,601**	90,113
		9,352,046	8,681,617

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
AT 30TH JUNE, 2011

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Non-current liabilities		
Bank borrowings – due after one year	**421,400**	413,000
Deferred tax liabilities	**169,578**	198,576
Amount due to a non-controlling shareholder of subsidiaries	**170,313**	166,987
	761,291	778,563
	8,590,755	7,903,054
Capital and reserves		
Share capital	**8,404**	8,395
Reserves	**7,811,444**	7,208,489
Equity attributable to owners of the Company	**7,819,848**	7,216,884
Non-controlling interests	**770,907**	686,170
	8,590,755	7,903,054

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 (HKAS 34) "Interim Financial Reporting".

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2010 (the "**2010 Financial Statements**"), except as described below.

In the current interim period, the Group has applied, for the first time, the following new or revised standard and interpretations ("**new or revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"):

- Improvements to HKFRSs issued in 2010
- HKAS 24 (as revised in 2009) "Related party disclosure"
- Amendments to HKAS 32 "Classification of rights issues"
- Amendments to HK(IFRIC) - INT 14 "Prepayments of a minimum funding requirement"
- HK(IFRIC) - INT 19 "Extinguishing financial liabilities with equity instruments"

The application of the above new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. COMPARATIVE FIGURES

As detailed in note 2 of the 2010 Financial Statements, the Group has adopted HKFRS 9 "Financial instruments" (HKFRS 9) in preparing the 2010 Financial Statements. In accordance with HKFRS 9, the Group's investments in unlisted equity securities (not held for trading) that were previously classified as available-for-sale financial assets under HKAS 39 should be classified as financial assets at fair value through profit or loss. The fair value gains in relation to the Group's investments in unlisted equity securities (not held for trading) would have been recognised in other comprehensive income under HKAS 39 is now recognised in profit or loss.

Accordingly, certain comparative figures of these interim financial statements have been restated to conform with the adoption of the HKFRS 9 and the effects are summarised as follows:

Consolidated statement of comprehensive income

	Six months ended 30th June, 2010 HK$'000
Increase in investment income and profit for the period	1,947

3. **COMPARATIVE FIGURES (Continued)**

The change in accounting policy resulting in an increase on the Group's basic and diluted earnings per share by HK$0.001 for the six months ended 30th June, 2010.

Consolidated statement of changes in equity

Change in fair value of available-for-sale investments amounting to HK$1,947,000 is now recognised in profit or loss and reducing the investment reserve to nil for the six months ended 30th June, 2010.

4. **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 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Sales of goods – direct sales	**1,358,328**	1,155,232
Income from concessionaire sales	**942,275**	759,659
Service income	**56,324**	43,474
Rental income	**48,093**	35,068
	2,405,020	1,993,433

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 30th June, 2011

	Hong Kong	**PRC**	**Consolidated total**
	HK$'000	***HK$'000***	***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**

4. TURNOVER AND SEGMENT INFORMATION (Continued)

Six months ended 30th June, 2010

	Hong Kong HK$'000	PRC HK$'000	Consolidated total HK$'000 (Restated)
Segment revenue			
External sales	1,585,420	408,013	1,993,433
Result			
Segment result	626,445	84,224	710,669
Investment income			1,669
Fair value changes on investment properties			3,239
Share of profit of a jointly controlled entity			7,361
Discount arising on acquisition of additional interest in an associate			114,556
Share of profits of associates			44,747
Finance costs			(17,873)
Profit before taxation			864,368

Segment profit represents the profit earned by each segment without share of profits of associates and a jointly controlled entity, discount arising on acquisition of additional interest in an associate, 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.

5. COST OF SALES

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
The cost of sales are analysed as follows:		
Cost of goods sold	**966,446**	823,334
Other cost of sales	**42,767**	27,010
	1,009,213	850,344

6. INVESTMENT INCOME

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Interest income on bank deposits	**12,776**	5,443
Interest income on loans receivable	**–**	6,029
Dividend income from financial assets at fair value through profit or loss	**8,975**	2,703
Realised gain on disposal of held for trading investments	**–**	2,221
Change in fair value from		
- financial assets at fair value through profit or loss	**26,313**	(14,727)
- derivative financial instruments	**(1,005)**	-
	47,059	1,669

7. FINANCE COSTS

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings and overdrafts:		
– wholly repayable within five years	**18,322**	13,471
– wholly repayable after five years	**4,535**	5,837
Others	**98**	572
	22,955	19,880
Less: Amount capitalised	**(2,417)**	(2,007)
	20,538	17,873

8. TAXATION

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**135,104**	101,425
PRC Enterprise Income Tax	**41,018**	35,453
Underprovision in prior years:		
Hong Kong	**–**	2,893
	176,122	139,771
Deferred tax:		
Current year	**10,029**	6,673
	186,151	146,444

Hong Kong Profits Tax is provided at 16.5% (six months ended 30th June, 2010: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30th June, 2010: 25%) on the estimated assessable profit for the period.

9. PROFIT FOR THE PERIOD

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation	**104,943**	104,706
Equity-settled share-based payment expense	**1,393**	9,624

10. DIVIDENDS

During the current interim period, a final dividend of HK cents 19.0 per share in respect of the year ended 31st December 2010 (2010: HK cents 17.0 per share in respect of the year ended 31st December 2009) 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$319,268,000 (2010: HK$285,115,000).

Subsequent to the end of the interim period, the Board has declared that an interim dividend of HK cents 19.2 in cash per share (2010: HK cents 14.7) will be paid to the owners of the Company whose names appear in the Register of Members on 26th August, 2011.

11. 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 30th June,	
	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic and diluted earnings per share	**807,309**	617,945

	30th June, 2011	30th June, 2010
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,680,005**	1,675,785
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**11,292**	10,328
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,691,297**	1,686,113

12. TRADE AND OTHER RECEIVABLES

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
Trade receivables	**50,359**	71,097
Other receivables, deposits and prepayments	**134,120**	142,915
Total trade and other receivables	**184,479**	214,012

The Group's retail sales to customers are mainly on cash basis, either in cash, debit card or credit card payments. The Group does not have a defined fixed credit policy as its major trade receivables arise from credit card sales. 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:

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
0 – 30 days	**47,391**	67,432
31 – 60 days	**2,897**	2,495
61 – 90 days	**71**	236
Over 90 days	**–**	934
	50,359	71,097

13. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

Balances comprise:

	Assets classified as held for sale		Liabilities associated with assets classified as held for sale	
	30th June, 2011	31st December, 2010	**30th June, 2011**	31st December, 2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest in an associate held for sale (note a)	**–**	436,909	**–**	–
Interest in a subsidiary held for sale (note b)	**726,086**	–	**219,482**	–
	726,086	436,909	**219,482**	–

Notes:

(a) On 16th December, 2009, Win Early Limited ("**Win Early**"), a wholly-owned subsidiary of the Group, and Smart Success Investment Limited ("**Smart Success**"), 40% shareholder of Ample Sun Group Limited, entered into a conditional sale and purchase agreement as vendors with GS China Shopping No. 1 GmbH & Co. KG (the "**Purchaser**"), a limited partnership incorporated under the laws of the Federal Republic of Germany, whereby Win Early and Smart Success conditionally agreed to sell their respective 60% and 40% shareholding in Ample Sun Group Limited to the Purchaser. The agreement was terminated on 30th June, 2011 due to non-fulfillment of certain conditions precedent. As a result, the assets attributable to Ample Sun Group Limited has ceased to be classified as held for sale and reclassified as interests in associates as at 30th June, 2011.

(b) On 17th June, 2011, the Group entered into a sale and purchase agreement with a third party for the disposal of 90% equity interests in a subsidiary, Shenyang Jiajian Property Development Company Limited ("**Shenyang Jiajian**"), at a cash consideration of RMB 540,000,000 (or equivalent to approximately HK$650,160,000). The assets and liabilities attributable to Shenyang Jiajian have been classified as assets classified as held for sale and liabilities associated with it are presented separately in the condensed consolidated statement of financial position.

The major classes of assets and liabilities of Shenyang Jiajian classified as held for sale are as follows:

	30th June, 2011
	HK$'000
Investment property	**662,352**
Property, plant and equipment	**23**
Other receivables	**24,382**
Bank balances and cash	**39,329**
Total assets classified as held for sale	**726,086**
Other payables	**180,399**
Tax payables	**56**
Deferred tax liabilities	**39,027**
Total liabilities associated with assets classified as held for sale	**219,482**
Net assets classified as held for sale	**506,604**

14. TRADE AND OTHER PAYABLES

	30th June, 2011 *HK$'000*	31st December, 2010 *HK$'000*
Trade payables	**179,538**	257,526
Concessionaire sales payable	**762,434**	997,314
Other payables, deposits and accrued charges	**535,256**	754,623
Total trade and other payables	**1,477,228**	2,009,463

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

	30th June, 2011 *HK$'000*	31st December, 2010 *HK$'000*
0 – 30 days	**143,898**	225,904
31 – 60 days	**33,858**	29,263
61 – 90 days	**478**	557
Over 90 days	**1,304**	1,802
	179,538	257,526

The average credit period of trade payables and concessionaire sales payable is 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 30th June, 2011 of HK cents 19.2 (the "**Interim Dividend"**) (2010: HK cents 14.7) in cash per share. The Interim Dividend will be paid on or about Friday, 2nd September, 2011 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, 26th August, 2011.

CLOSURE OF REGISTER OF MEMBERS

The Company's Register of Members will be closed from Wednesday, 24th August, 2011 to Friday, 26th August, 2011 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the Interim Dividend, all transfers of shares with relevant share certificates and completed transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for shares registration not later than 4:30 p.m. on Tuesday, 23rd August, 2011.

FINANCIAL REVIEW

Turnover and Sales Proceeds

For the period under review, the Group's turnover grew to HK$2,405 million, a 20.6% increase from HK$1,993 million recorded in the first half of 2010. Net sales proceeds amounted to HK$5,591 million, up 24.1% from HK$4,505 million, with the Hong Kong operations contributing HK$4,023 million and PRC stores HK$1,568 million which respectively accounted for 72% and 28% of the Group's sales proceeds.

Gross Profit and Gross Margin

Gross profit margin as a percentage of net sales proceeds remained relatively stable at 25.0% for the first half of 2011, compared with 25.4% for the same period in 2010. The slight decrease in gross margin was mainly a result of the relatively stronger performance during the period of certain brands and merchandizes which carry lower commission rates. These include gold, jewellery and luxury accessories items and their performance was particularly strong at our Hong Kong flagship store. Gross profit rose to HK$1,396 million, up 22.1% from HK$1,143 million in 2010. Gross profit margin as a percentage of turnover however edged up to 58.0% from 57.3% in 2010.

Net Profit

During the period under review, the Group's net profit attributable to owners of the Company was HK$807 million, up 30.6% from HK$618 million (as restated) over the same period in 2010. Net profit in the same period last year included some HK$68.7 million discount on acquisition of interest in associates, a one-off gain. Excluding this one-off item, the Group's year-on-year net profit growth for the first half of the year was 47% and net profit margin (again excluding the said one-off gain last year) as a percentage of turnover increase from 27.6% to 33.6%. The margin expansion was attributable to the fact that the Group continued to benefit from its operating leverage and the narrowing of losses at the new stores. Share of profit of associates has also increased by some HK$40 million (before non-controlling interests) during the period.

Selling and Distribution Costs

The Group's selling and distribution costs at the two stores in Hong Kong remained relatively stable, and the increase during the period compared with the same period last year was mainly due to the incremental turnover rental payable by the Shanghai store to the Group’s property jointly controlled entity. Other costs at other stores in the mainland remained stable.

Administrative Expenses

The Group keeps a tight control over its operating and administrative expenses and increases during the period have been kept to an absolute minimum. The slight increase was mainly due to wage rise in both Hong Kong and the PRC.

Finance Costs

The finance costs of HK$20.5 million comprised mainly bank loan interest. During the period under review, a total of HK$2.4 million (2010: HK$2.0 million) of interest has been capitalized as part of the costs in respect of property under development.

Investment Income

Investment income comprises interest and investment income from the Group’s surplus funds and investment portfolio as well as fair value changes of the investment portfolio which consists mainly of fixed income investment products and listed equities.

Liquidity and Financial Resources

The Group was at a net cash position as at 30th June, 2011, with approximately HK$3,713 million of cash and bank balances, and approximately HK$3,693 million of bank loans. Approximately 67% of the Group's total cash and bank balances were held mainly at banks in Hong Kong and the remaining approximately 33% of the Group's cash and bank balances are deposited with banks in the PRC. The Group's bank loans included a Hong Kong dollar unsecured loan of HK$400 million, a Hong Kong dollar secured loan of HK$2,340 million (which is due for repayment in December 2011) and a US dollar secured US dollar loan of US$55.9 million. These are floating rate loan facilities bearing interest with reference to HIBOR and LIBOR respectively. The remaining loan balance represents RMB denominated working capital and project loans bearing interest calculated with reference to the PBOC lending rate.

Pledge of Assets

As at 30th June, 2011, certain of the Group’s land and buildings with a book value of HK$1,525.1 million (31st December, 2010: HK$1,547.3 million), together with shares in certain subsidiaries of the Group, were pledged to a bank to secure a HK$4,000 million banking facility granted to the Group, of which HK$2,340 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$1,495 million (31st December, 2010: HK$1,500.8 million) and HK$484.1 million (31st December, 2010: HK$154.4 million) respectively have been pledged to secure loan facilities amounting to approximately RMB390 million (31st December, 2010: RMB390 million) and US$55.9 million (31st December, 2010: US$20 million).

REVIEW OF OPERATIONS

Retail Market Overview

In the first half of 2011, the global economy encountered many challenges and uncertainties amid the political turmoil in the Middle East and North Africa, the earthquake and nuclear disaster in Japan, and the persistent and escalating sovereign debt crisis in the Euro-zone. All these have undermined sentiment and slowed down the economic growth in many parts of the world. Some of these impacts were transitory while others could be more persistent.

Asia remained a key region that powered the global economy. Even though the region also lost some steam during the period under review as a result of the headwinds from the West and Japan, its pace of growth was still above any other region in the world. China, the biggest economy in the region, saw its GDP growth rate taper off from 11.1% in the first six months of 2010 to 9.6% for the same period this year. The deceleration was partly a desired outcome of the Chinese government's macro control policies and measures and partly due to uncertainties at home and abroad. Nonetheless, China's growth momentum remained strong and its economy continued to stay in good shape. Meanwhile, Hong Kong showed particularly strong growth for the first six months of 2011 amid bullish market sentiment. The economy posted in the first quarter of 2011 better-than-expected GDP growth of 7.2%, which was driven chiefly by fast expansion in private consumption.

In Hong Kong

During the review period, the retail industry in Hong Kong showed remarkable growth, with the momentum continuing to accelerate throughout the six months. Total retail sales in the first quarter grew 21% year-on-year which took the market by surprise. The pace of growth picked up further during the second quarter, with retail sales up 28.1%, taking the first-half year growth rate to 24.4%. This phenomenal growth momentum of retail sales was partly a result of the many local positive factors, including falling unemployment rate, rising consumer confidence, solid wealth effect and the announcement of the HK$6,000 cash from the Hong Kong government. It was also intensified by thriving inbound tourism, thanks to the continued depreciation of the Hong Kong dollar against most other currencies, in particular the renminbi. The strengthening of renminbi has motivated many affluent and brand-conscious mainland tourists to shop in Hong Kong. The earthquake and nuclear disaster in Japan also unexpectedly led to a surge in visitor arrivals as many tourists cancelled trips to Japan and visited Hong Kong instead.

Meanwhile, many local people intending to visit Japan in spring also called off their plans and stayed in Hong Kong, giving further boost to the retail industry.

In China

China continued to play a vital role in driving the economic growth in Asia and for the global economy although growth of its own has inevitably been affected by economic uncertainties abroad as well as some misgivings on the home front.

The retail industry recorded a 16.8% increase in total sales in the first half of the year, compared with 18.2% for the same period last year. The moderate slowdown in growth, which gradually became more notable in May and June, was a result of mounting inflation pressure, fears of asset price appreciation due to excess liquidity in the country, as well as the slowdown of foreign demand that has hurt the export sector. In a positive move which has nonetheless affected growth in the short run, the Chinese government has stepped up efforts to tighten its monetary policy. The move has effectively cooled credit growth, kept a lid on asset price speculation and reduced the risk of overheating of the economy. Meanwhile, some other factors have kept the Chinese economy on a steady growth course, including the continuous acceleration in urbanization, wage growth, consumption-friendly policy incentives, and the general upward growth trend of domestic demand. The above explained the slightly slower but still substantial growth in retail sales of China during the period under review.

Performance by Store

Hong Kong

Echoing the market boom, Lifestyle International's two stores in Hong Kong recorded a boost in takings during the period under review. Both Sogo Causeway Bay ("**SOGO CWB**") and Sogo Tsim Sha Tsui ("**SOGO TST**") delivered double-digit growth in sales revenue, which amounted to approximately HK$4.0 billion in total and accounted for a 23% increase year-on-year. Aggregate sales revenue of the two stores accounted for 2.0% of the gross retail sales in Hong Kong (2010 1H:2.0%), and 21.3% of department store sales (2010 1H:20.8%).

SOGO CWB remained the biggest contributor to the Group's revenue. In the first quarter of the year, it recorded a 17.1% year-on-year growth; in the second quarter, the growth rate was even higher, at 29.5%. On the whole, for the first half of the year total sales revenue jumped 23.1% to reach HK$3,641.9 million, driven mainly by the increase in ticket size amid consistently strong demand for luxury items. Traffic footfall was also increased mildly by 2% and the stay-buy ratio also went up by 0.7% points to 31.4%. During the review period, the store underwent a series of renovation and improvement initiatives and readjustment of the merchandise mix, all with the aim of reinforcing customer loyalty and enhancing shoppers' experience at the store.

During the few weeks after the devastating earthquake in Japan, sales at Freshmart (the food and confectionery division) of SOGO CWB saw a surge as people sought to stock up Japanese food products for fear of nuclear contamination. Sales tapered off gradually afterwards as inventories were running out. Moreover, timely adjustment was also made to the product mix to ensure food safety and rebuild customer confidence. On the whole, the Japan incident did not have any discernible impact on the business of Freshmart. On the contrary, other sections of the store posted better-than-expected results throughout the review period amid favourable consumer sentiment, which was apparently immune from the impact of the Japan earthquake. During the Thankful Week in May, SOGO CWB once again put on a robust performance. The event generated HK$460.9 million in sales, which represented a 28% increase from the same event last year.

Meanwhile, SOGO TST grew in tandem with the general market trend, with total sales revenue going up by 21.2% to HK$381.2 million for the first half of 2011. The rise was driven mainly by an increase in ticket size, which rose 23.8% from the same period last year. Stay-and-buy ratio rose to 16.3% from 15.4%, while total daily traffic footfall was down 7.2% to 27,100 due to closure of the adjacent New World Centre since April 2010. However, the impact was mitigated slightly by an upsurge in tourist arrivals during the period.

Mainland China

During the first half of 2011, sales growth at the Group's three stores in Mainland China remained on an upward trend which was largely in line with the general retail market.

During the first four months of the period, Shanghai Jiuguang continued the growth momentum carried forward from 2010 before slowing down gradually since around May, due mainly to dampened consumer sentiment amid the credit tightening and economic uncertainties abroad. On the whole, the store remained on a growth path, with sales takings totaling RMB983.4 million for the period under review, up 13.6% versus the same period last year. Average ticket size and stay-and-buy ratio reported an increase of 14.6% and 0.4% respectively. Affluent and middle-class consumers, which are growing in numbers, continued to be the main group of shoppers at Shanghai Jiuguang during the review period.

Suzhou Jiuguang delivered better-than-expected results during the first half of 2011 as the store continued to grow in popularity. Net sales revenue rose 60.6% to RMB269.2 million year-on-year (2010 1H: RMB167.6 million), while daily traffic footfall increased steadily to 13,300. The growing traction of Suzhou Jiuguang's performance was a mark of success of the Group's persistent marketing efforts and sound business strategies to meet local demand and to build a loyal client base.

In Northern China, Dalian Jiuguang delivered steady performance for the period under review, with net sales up 34.1% to RMB61.6 million (2010 1H: RMB45.9 million). With the store gradually gaining local recognition, daily traffic footfall also increased accordingly to around 5,900 from 4,900 for the same period last year.

The Tianjin Lifestyle Plaza, the Group's first shopping mall in the PRC opened in late 2010, delivered solid results that met the management's expectations in the first half of 2011. The Group will focus on dedicating resources to build traffic footfall as well as improving further the occupancy rate from the current 80% level.

The Group's equity investment in the Beiren Group, a leading retailer based in Shijiazhuang, also reported impressive results for the period under review, with sales revenue increasing by 18%. On the whole, the investment contributed approximately HK$51 million in profit to the Group in the first six months of 2011, compared with HK$27 million for the same period last year. The results indicate that Beiren Group is a valuable asset of the Group that is set to continue to deliver good performances. Beiren Group operates 21 supermarkets and 11 department stores and shopping malls, most of which are located in Shijiazhuang, Hebei Province.

Over the years the Group has been able to build up a portfolio of quality non-core retail properties which the Group will consider disposing of when opportunity arises. The Group previously signed a sales and purchase agreement for the disposal of the approximately 30% indirect effective interests in the Future Mall in Shijiazhuang, Hebei Province. Due to the buyer's inability to raise sufficient funds for payment of the consideration, the agreement was terminated on 30th June, 2011.

On the other hand, on 17th June, 2011, the Group entered into another sales and purchase agreement with a third party for the disposal of 90% equity interest in a wholly-owned subsidiary, whose principal asset is a property under development at Shenhe District in Shenyang (right next to our department store site). This partially completed project was acquired in December 2009 by the Group and successful completion of this disposal will bring to the Group some RMB540 million of cash.

Expansion in Mainland

Guided by its long-term goal to become a key industry player in China, Lifestyle International is constantly on the lookout for opportunities to stretch its tentacles prudently and gradually, with the focus being on the Yangtze River Delta region.

On 14th April, 2011, the Group entered into a memorandum of understanding with Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. ("**LJZ**") in relation to the establishment of two joint ventures in Shanghai and Tianjin, for the purpose of acquiring from LJZ the retailing portion of the two property development projects respectively in Pudong, Shanghai (SN1, Lujiazui Finance and Trade Zone of Shanghai) and Tianjin (Xiao Huo Xiang, Hongqiao District of Tianjin). Each of the joint venture will be 70% owned by Lifestyle International and 30% by LJZ. The Group is currently in negotiation with LJZ to finalizing the definitive agreements of these projects.

In the meantime, the Group's new project in the pipeline namely the Shenyang project, located at Zhongjie Lu, a well-known pedestrian walk in Shenhe District, is progressing according to the plan and opening of the Shenyang store is scheduled in 2013.

OUTLOOK AND PLAN

At present, uncertainties abound in the global economy, marked notably by the slowdown of recovery and fiscal retrenchment of most advanced economies. Meanwhile, continued credit tightening and possible continuing appreciation of the renminbi may imply further modest slowdown in China's economic growth in the months to come. In view of this, the management takes a cautious view in terms of the sustainability of the growth rate of the retail sector in Mainland China in the second half of 2011. Nevertheless, we believe the fundamental strengths of the Chinese economy, backed by factors including growing domestic demand, the rising middle class and urbanization, will be able to keep the industry on a steady growth track.

Domestic demand will continue to rise steadily and drive the economy forward, although consumer sentiment will remain susceptible to changes to the monetary policy of government that aims to curb overheating of the economy and high inflation. On the contrary, management takes a more optimistic yet cautious view on the sustainability of the retail boom of the Group's home turf in Hong Kong attributable to the generally positive market sentiment and continuous increase in tourist arrivals. This is particularly beneficial to the Group because of its self-owned property business model of the CWB store.

Over the years, the Group has built up immense strengths and achieved a robust financial position that enables it to grow persistently, capture expansion opportunities effectively, and deal with various challenges and uncertain situations. The strengths of our self-owned property model continue to manifest themselves, and we remain committed to implementing this strategy. Leveraging Lifestyle International's unmatched brand equity, innovative marketing strategies and the fine merchandise mix of its operations, the management is confident that the Group will fare reasonably well in the second half of 2011.

We will remain focused on sustaining our leading position in the Hong Kong market and will continue to make relentless efforts to refine and strengthen our operations, especially our younger establishments in Suzhou, Dalian and Tianjin. While adhering to our prudent and selective strategy, the management continues to be on the lookout for lucrative opportunities that befit the Group's growth strategy, with a view to generating maximum returns for shareholders.

REVIEW OF INTERIM RESULTS

The Group's unaudited interim results for the six months ended 30th June, 2011 have been reviewed by the Audit Committee and the auditors of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30th June, 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2011, the Company has complied with all code provisions of the Code on Corporate Governance Practices (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") except for code provision E.1.2.

According to code provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting and chairmen of the Company's audit and remuneration committees should be available to answer questions at the annual general meeting. Due to another business engagement, Dató Dr. Cheng Yu-tung, the Chairman of the Board, and Mr. Lam Siu-lun, Simon, Chairman of the Audit Committee, were unable to attend the 2011 annual general meeting of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules (the "**Model Code**") as its code of conduct regarding securities transactions by the Directors. Confirmation has been received from all Directors that they have complied with the required standard set out in the Model Code during the six months ended 30th June, 2011.

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 support to the Group.

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

Hong Kong, 8th August, 2011

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 Dató 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.