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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)**

### **DISCLOSEABLE TRANSACTION WHICH IS PRICE SENSITIVE IN NATURE - ACQUISITION OF EQUITY INTERESTS IN PRC COMPANIES AND RESUMPTION OF TRADING**

On 23rd April, 2007, the Group, through the Purchaser as purchaser and the Company as guarantor, entered into a legally binding Heads of Agreement with the Vendor after trading hours, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Equity Interests at the Purchase Price.

Completion of the Acquisition is conditional on the fulfillment (or waiver by the Purchaser) of the Conditions by the Long Stop Date.

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing, inter alia, details of the Acquisition will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 24th April, 2007 pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 25th April, 2007.

This announcement is issued pursuant to Rule 13.09 and Chapter 14 of the Listing Rules.

On 23rd April, 2007, the Company as guarantor and the Company's wholly-owned subsidiary, Beauty Power Limited as purchaser, entered into a legally binding Heads of Agreement with the Vendor after trading hours, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the Equity Interests at the Purchase Price. The material terms of the Heads of Agreement are summarized below:

#### **THE HEADS OF AGREEMENT**

##### **(1) Parties**

The Vendor as vendor, the Purchaser as purchaser and the Company as guarantor.

The Vendor is a retail group based in Japan with manufacturing facilities and retail operations mainly in the PRC and Japan.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

## (2) Assets to be acquired

The indirect interest in the Dalian Property, the Tianjin Property, the Qingdao Property and the Haerbin Property through the acquisition of the following equity interests in the Target Companies from the Vendor:-

- (a) 100% equity interest of Dalian Co, which wholly owns the Dalian Property and operates a department store thereat;
- (b) 97.5% equity interest of Tianjin Co, which wholly owns the Tianjin Property and operates a department store thereat;
- (c) 100% equity interest of Qingdao Co, which wholly owns the Qingdao Property and operates a department store thereat; and
- (d) 100% equity interest of Haerbin Co, which wholly owns the Haerbin Property.

At present, the Vendor only owns 90% equity interest of Dalian Co and 98% equity interest of Qingdao Co. The remaining 10% equity interest of Dalian Co (the "**Remaining Dalian Interest**") and 2% equity interest of Qingdao Co (the "**Remaining Qingdao Interest**") are now held by the Chinese joint venture partners. The Vendor shall obtain the Remaining Dalian Interest and the Remaining Qingdao Interest free from any encumbrance and thereby converting Dalian Co and Qingdao Co into duly registered wholly foreign-owned enterprises before transferring such equity interests to the Purchaser by Completion. If the Vendor cannot obtain the Remaining Dalian Interest or the Remaining Qingdao Interest, such remaining interest(s) may be excluded from the Acquisition. Please refer to the section headed "Conditions" below in this announcement for further details of such exclusion.

## (3) Purchase Price

The Purchase Price is RMB750 million (equivalent to approximately HK\$757.5 million), which has been arrived at after arm's length negotiations between the Vendor and the Purchaser and is determined by reference to the aggregate net asset value of the Target Companies recorded in their respective PRC audited accounts as at 31st December, 2006 of approximately RMB 786 million (equivalent to approximately HK\$793.9 million).

The Purchase Price shall be adjusted, on a dollar to dollar basis, to reflect the difference between the aggregate net asset value of the Target Companies at Completion and that as at 31st December, 2006.

The Purchase Price will also be reduced in the event that the Remaining Dalian Interest and/or the Remaining Qingdao Interest are excluded from the Acquisition. Please refer to the section headed "Conditions" below in this announcement for further details of such reduction.

The Purchase Price shall be paid in USD (based on the exchange rate of RMB to USD at the date of the Formal Agreement) in the following manner:-

- (i) RMB675 million (equivalent to approximately HK\$681.75 million), which is meant to be 90% of the Purchase Price, to be paid at Completion;
- (ii) RMB49.5 million (equivalent to approximately HK\$50 million), which is meant to be approximately 6.6% of the Purchase Price, to be paid within 30 days after the issuance of the audited accounts of the Target Companies as at the date of Completion; and

- (iii) RMB25.5 million (equivalent to approximately HK\$25.8 million), which is meant to be approximately 3.4% of the Purchase Price to be paid into a separate interest bearing escrow account in the name of the Purchaser's solicitors as escrow agent for the purpose of paying any claim against the Vendor for breach of any warranty or under any tax or other indemnity given by the Vendor in the Heads of Agreement or in the Formal Agreement.

The Company intends to fund the Purchase Price by internal resources and the existing banking facilities of the Group. The Directors have not yet determined the proportions of the amounts of the internal resources and banking facilities of the Group for financing the Purchase Price.

#### (4) Conditions

Completion is conditional upon the fulfillment of the conditions precedent set out in the Heads of Agreement (the "**Conditions**") as summarized below:-

- (a) completion of further due diligence on the Equity Interests and the Target Companies to the Purchaser's satisfaction;
- (b) completion of necessary reorganization so that the Vendor becomes the sole legal and beneficial owner of 100% of equity interests in Dalian Co and Qingdao Co and each of them being validly converted into and registered as a wholly foreign-owned enterprise (the "**Reorganization Condition**");
- (c) representations and warranties true and correct in all material respects;
- (d) formal approval from the board of directors and, if necessary, the shareholders of the Purchaser;
- (e) the transfer of the Equity Interests pursuant to the terms of the Heads of Agreement having been approved by the relevant PRC governmental authorities and (where necessary) all other shareholders of the Target Companies;
- (f) the Target Companies having obtained certain approvals, permits and certifications set out in the Heads of Agreement which are necessary for the purpose of obtaining the property ownership certificates for the Properties and having made its best effort to complete any other procedures (if any) required for obtaining such certificates; and
- (g) the issue of the relevant legal opinions by lawyers appointed by the Purchaser and the granting of proper governmental and regulatory approvals (if necessary) before or at Completion.

The Purchaser may waive all or any of the Conditions at any time by notice in writing to the Vendor, whether with or without conditions.

The Vendor shall use its best endeavours to ensure that the Conditions shall be fulfilled as soon as practicable and in any event not later than the Long Stop Date.

If the Reorganization Condition is not fulfilled by 31st August, 2007, either the Vendor or the Purchaser may postpone the Long Stop Date to 30th November, 2007 by written notice to the other parties. If after such extension (if any), the Reorganization Condition is still not fulfilled, either the Vendor or the Purchaser may further postpone the Long Stop Date to 29th February, 2008 by written notice to the other parties.

In addition, if any of the Conditions (other than the Reorganization Condition) are not fulfilled by 31st August, 2007, the Purchaser (but not the Vendor) has the right to postpone the Long Stop Date to 30th November, 2007 by written notice to the Vendor. If after such extension (if any), such Conditions are still not fulfilled, the Purchaser has the right to further postpone the Long Stop Date to 29th February, 2008 by written notice to the Vendor.

If the Conditions shall not have been fulfilled (or waived by the Purchaser) by the Long Stop Date or such other date as the parties may agree in writing, the Heads of Agreement and everything therein contained shall, subject to the liability of either party to the other in respect of any antecedent breaches of the terms thereof, be null and void and of no effect.

If the Reorganization Condition is not fulfilled by the Long Stop Date but is waived by the Purchaser, the acquisition of the Remaining Dalian Interest (if Dalian Co has not become 100% owned by the Vendor) and/or the Remaining Qingdao Interest (if Qingdao Co has not become 100% owned by the Vendor), as the case may be, shall be excluded from the Acquisition. In such event, the Purchase Price shall be reduced by an amount of (i) RMB22.44 million (equivalent to approximately HK\$22.66 million) (if the Remaining Dalian Interest is excluded from the Acquisition) or (ii) RMB2.89 million (equivalent to approximately HK\$2.92 million) (if the Remaining Qingdao Interest is excluded from the Acquisition) or (iii) RMB25.33 million (equivalent to approximately HK\$25.58 million) (if both the Remaining Dalian Interest and the Remaining Qingdao Interest are excluded from the Acquisition); and the amount of the instalments of the Purchase Price to be paid by the Purchaser shall be reduced on a pro-rata basis.

**(5) Completion**

Unless otherwise agreed by the Vendor and the Purchaser, Completion shall take place within 14 business days after the fulfillment (or waiver by the Purchaser) of all the Conditions. The Vendor and the Purchaser currently intend that Completion shall take place on or before 31st August, 2007.

**(6) Formal Agreement**

The Vendor and the Purchaser shall enter into the Formal Agreement on or before 15th June, 2007 (or such later date as may be mutually agreed by the Vendor and the Purchaser).

**(7) Guarantee**

The Company shall guarantee to the Vendor for the due performance of the payment obligations for the Purchase Price of the Purchaser under the Formal Agreement.

**FURTHER INFORMATION ON THE TARGET COMPANIES AND THE PROPERTIES**

**(1) Further information on the Target Companies**

The information on the losses and net asset value of the Target Companies set out below is based on the audited accounts of the relevant Target Companies which were prepared in accordance with generally accepted accounting principles in the PRC.

**(a) Dalian Co**

Dalian Co is a Sino-foreign equity joint venture enterprise established in the PRC with an operation period of 30 years commencing from 1993. The total investment amount and the registered capital of Dalian Co are USD80 million (equivalent to approximately HK\$624 million) and USD50 million (equivalent to approximately HK\$390 million) respectively. The paid up registered capital of Dalian Co is USD45 million (equivalent to approximately HK\$351 million) as the Chinese party to Dalian Co has not yet paid up the part of the registered capital which it is obliged to pay. The main asset of Dalian Co is the Dalian Property. Dalian Co is currently carrying on the business of holding of the Dalian Property and has been operating a department store at the Dalian Property since October, 2003.

The audited losses of Dalian Co before and after taxation for the financial year ended 31st December, 2005 were RMB30,280,000 (equivalent to HK\$30,583,000). The audited losses of Dalian Co before and after taxation for the financial year ended 31st December, 2006 were RMB26,536,000 (equivalent to HK\$26,801,000).

The audited net asset value of Dalian Co as at 31st December, 2006 was RMB235,233,000 (equivalent to HK\$237,585,000).

(b) Tianjin Co

Tianjin Co is a Sino-foreign equity joint venture enterprise established in the PRC with an operation period of 50 years commencing from 1996. The total investment amount and the registered capital of Tianjin Co are both USD40 million (equivalent to approximately HK\$312 million). The registered capital of Tianjin Co has been fully paid up. The main asset of Tianjin Co is the Tianjin Property. Tianjin Co is currently carrying on the business of holding of the Tianjin Property and has been operating a department store at the Tianjin Property since November, 2004.

The audited losses of Tianjin Co before and after taxation for the financial year ended 31st December, 2005 were RMB32,031,000 (equivalent to HK\$32,351,000). The audited losses of Tianjin Co before and after taxation for the financial year ended 31st December, 2006 were RMB30,909,000 (equivalent to HK\$31,218,000).

The audited net asset value of Tianjin Co as at 31st December, 2006 was RMB250,397,000 (equivalent to HK\$252,901,000).

(c) Qingdao Co

Qingdao Co is a Sino-foreign equity joint venture enterprise established in the PRC with an operation period of 40 years commencing from 1995. The total investment amount and the registered capital of Qingdao Co are both RMB225 million (equivalent to HK\$227.3 million). The registered capital of Qingdao Co has been fully paid up. The main asset of Qingdao Co is the Qingdao Property. Qingdao Co is currently carrying on the business of holding of the Qingdao Property and has been operating a department store at the Qingdao Property since December, 2003.

The audited losses of Qingdao Co before and after taxation for the financial year ended 31st December, 2005 were RMB23,748,000 (equivalent to HK\$23,985,000). The audited losses of Qingdao Co before and after taxation for the financial year ended 31st December, 2006 were RMB20,943,000 (equivalent to HK\$21,152,000).

The audited net asset value of Qingdao Co as at 31st December, 2006 was RMB151,408,000 (equivalent to HK\$152,922,000).

(d) Haerbin Co

Haerbin Co is a wholly-foreign owned enterprise established in the PRC with an operation period of 40 years commencing from 1995. The total investment amount and the registered capital of Haerbin Co are USD25 million (equivalent to approximately HK\$195 million) and USD18 million (equivalent to approximately HK\$140.4 million) respectively. The registered capital of the Haerbin Co has been fully paid up. The main asset of Haerbin Co is the Haerbin Property. As the Haerbin Property is still under construction, Haerbin Co has not yet commenced any business other than holding and developing the Haerbin Property and therefore no profits or losses had been recorded in its audited account.

The net audited asset value of Haerbin Co as at 31st December, 2006 was RMB149,106,000 (equivalent to HK\$150,597,000).

After Completion, the results of the Target Companies will be consolidated into the accounts of the Group.

**(2) Further information on the Properties**

Though the Target Companies have obtained State Owned Land Use Right Certificates for the Properties, they are still in the process of applying, or will apply, for property ownership certificates for the Properties. The Vendor has informed the Purchaser that to its best knowledge, certain approvals, permits, certifications or steps as specified in the Heads of Agreement need to be obtained or taken for the purpose of the application of the property ownership

certificates for the Dalian Property, the Tianjin Property and the Qingdao Property. It is a condition to Completion that the Target Companies shall have obtained or taken such approvals, permits, certifications or steps. In case there is any other procedures found to be necessary for obtaining the property ownership certificates, the Vendor has also undertaken to make its best effort to complete such procedures by Completion. As the Haerbin Property is still under construction, application for its property ownership certificate can only be made after completion of the construction.

Further information on each of the Dalian Property, the Tianjin Property, the Qingdao Property and the Haerbin Property is set out below:-

(a) The Dalian Property

The Dalian Property has 10 storeys above the ground and 2 underground storeys and a total gross floor space of approximately 35,500 square metres. The Dalian Property is mainly used for the department store operation of Dalian Co at present.

(b) The Tianjin Property

The Tianjin Property has 10 storeys above the ground and 2 underground storeys and a total gross floor space of approximately 34,000 square metres. The Tianjin Property is mainly used for the department store operation of Tianjin Co at present.

(c) The Qingdao Property

The Qingdao Property has 12 storeys above the ground and 4 underground storeys and a total gross floor space of approximately 26,000 square metres. The Qingdao Property is mainly used for the department store operation of Qingdao Co at present.

(d) The Haerbin Property

The Haerbin Property has a site area of approximately 1,960 square metres and is currently under construction. Under the current construction plan, the Haerbin Property will be developed into a commercial building with 5 storeys above the ground and 1 underground storey with a total gross floor space of approximately 10,000 square metres.

## **REASONS FOR THE ACQUISITION**

The Group's principal business activities are the operation of "lifestyle" department stores and owning of retailing properties in Hong Kong and the PRC. At present, the Group only has one department store operating in the PRC, namely Jiuguang Store in Shanghai. In December 2006, the Group announced the acquisition of two additional land sites in Suzhou and Shenyang, for building the Group's own commercial complex. It is the Group's business strategies to expand its retailing operation and market share in the PRC. The Group intends to refurbish, renovate and re-position the existing department stores operating at the Dalian Property, the Tianjin Property and the Qingdao Property as well as the coming retailing space at the Haerbin Property into its "lifestyle" department stores or other retailing formats appropriate to the Group's business models. The Group considers that the Acquisition will not only add to the Group, almost immediately, additional retailing spaces but also increase its geographic coverage and exposure to different cities in the PRC. The indirect acquisition of ready for use retail properties through acquiring equity interests in existing operating companies is a good opportunity for the Group to speed up its pace of expansion in the PRC. Upon completion of the Acquisition, the Group will have retailing operations in four other cities in the PRC, in addition to its existing Shanghai Jiuguang store and the two new stores to be opened in Suzhou and Shenyang respectively as per the Group's announcements made previously.

The Board (including the independent non-executive Directors) considers that the Heads of Agreement are on normal commercial terms and fair and reasonable, and that the entering into of the Heads of Agreement is in the interest of the Company and the Shareholders as a whole.

## GENERAL

The Acquisition constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. A circular containing further information on the Acquisition and other information as required for disclosure pursuant to the Listing Rules will be dispatched to the Shareholders as soon as possible.

As at the date of this announcement, the Board comprises two executive Directors, being Messrs. Lau Luen Hung, Thomas and Doo Wai Hoi, William, four non-executive Directors, being 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, being Messrs. Lam Siu Lun, Simon, Cheung Yuet Man, Raymond, Shek Lai Him, Abraham and Hui Chiu Chung, Stephen.

## RESUMPTION OF TRADING

At the request of the Company, trading of the Shares on the Stock Exchange was suspended with effect from 9:30 a.m. on Tuesday, 24th April, 2007 pending the release of this announcement. The Company has applied for resumption of trading of the Shares on the Stock Exchange with effect from 9:30 a.m. on 25th April, 2007.

## DEFINITIONS

“Acquisition”	the acquisition of the Equity Interests by the Purchaser upon the terms and conditions of the Heads of Agreement
“Board”	the board of Directors
“Company”	Lifestyle International Holdings Limited (利福國際集團有限公司), a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange (Stock Code: 1212)
“Completion”	completion of the sale and purchase of the Equity Interests
“Dalian Co”	大連伊都錦商廈有限公司(translated into English as “Dalian Itokin Commercial Building Company Limited” for identification purpose only), a Sino-foreign equity joint venture enterprise established in Dalian, the PRC, being the owner of the Dalian Property
“Dalian Property”	the commercial building(s) on the piece of land situate at No. 11 Youhao Street of Zhongshan District, Dalian, Liaoning Province, the PRC (中華人民共和國遼寧省大連市中山區友好街 11 號) and the land use right in relation thereto
“Director(s)”	director(s) of the Company
“Equity Interests”	collectively the 100% equity interests in Dalian Co, 97.5% equity interest in Tianjin Co, 100% equity interest in Qingdao Co and 100% equity interest in Haerbin Co to be acquired by the Purchaser pursuant to the Heads of Agreement
“Formal Agreement”	the formal sale and purchase agreement to be entered into among the Company (as guarantor), the Purchaser and the Vendor in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Haerbin Co”	哈爾濱伊都錦商廈有限公司(translated into English as “Haerbin Itokin Commercial Building Company Limited” for identification purpose only), a wholly-foreign owned enterprise established in Haerbin, the PRC, being the owner of the Haerbin Property
“Haerbin Property”	the commercial building(s) under construction on the piece of land situate at Nos. 68 - 86 of Zhongyang Dajie, Nos. 1 - 5 of Xiaman Street of Daoli District, Haerbin, Hailongjiang Province, the PRC (中華人民共和國黑龍江省哈爾濱市道里區中央大街 68 - 86 號、霞曼街 1- 5 號) and the land use right in relation thereto

“Heads of Agreement”	the heads of agreement dated 23rd April, 2007 entered into between the Vendor, the Purchaser and the Company in relation to the Acquisition
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31st August, 2007, subject to the rights of extension by the Vendor and the Purchaser as set out in the Heads of Agreement
“PRC”	the People’s Republic of China (excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement)
“Properties”	collectively the Dalian Property, the Tianjin Property, the Qingdao Property and the Haerbin Property
“Purchase Price”	the aggregate purchase price for the Equity Interests, being RMB750 million (equivalent to HK\$757.5 million), subject to adjustment in accordance with the terms of the Heads of Agreement
“Purchaser”	Beauty Power Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company, and/or such investment vehicles(s) as it may nominate
“Qingdao Co”	青島伊都錦商廈有限公司(translated into English as “Qingdao Itokin Commercial Building Company Limited” for identification purpose only), a Sino-foreign equity joint venture enterprise established in Qingdao, the PRC, being the owner of the Qingdao Property
“Qingdao Property”	the commercial building(s) on the piece of land situate at Nos. 152 - 158 of Jiaozhou Road of Shibei District, Qingdao, Shandong Province, the PRC (中華人民共和國山東省青島市市北區膠州路 152 - 158 號) and the land use right in relation thereto
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively Dalian Co, Tianjin Co, Qingdao Co and Haerbin Co
“Tianjin Co”	天津伊都錦商廈有限公司 (translated into English as “Tianjin Itokin Commercial Building Company Limited” for identification purpose only), a Sino-foreign equity joint venture enterprise established in Tianjin, the PRC, being the owner of the Tianjin Property
“Tianjin Property”	the commercial building(s) on the piece of land situate at No. 219 of Binjiang Dao of Heping District, Tianjin, the PRC (中華人民共和國天津市和平區濱江道219號)and the land use right in relation thereto
“USD”	United States dollars, the lawful currency of the United States of America

“Vendor” a company incorporated in Japan, being an independent third party not connected with any directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates, or such other persons or corporate entities which the Purchaser and the Vendor agreed to be the relevant vendors of the Target Companies

“%” per cent.

*In this announcement, unless otherwise indicated, the exchange rates of RMB1 = HK\$1.01 and USD1 = HK\$7.80 have been used for the purpose of illustration only.*

By order of the Board of  
**Lifestyle International Holdings Limited**  
**Siu Po Sim, Katherine**  
*Company Secretary*

Hong Kong, 24th April, 2007

Please also refer to the published version of this announcement in SCMP (Classified).