

[For Immediate Release]



## Lifestyle International Announces 2019 Annual Results

***Operating performance affected by exceptional circumstances  
Focused on further bolstering business resilience for long-running success***

| HK\$'000   | For the year ended 31 December |               |        |
|--|--------------------------------|---------------|--------|
|  | 2019                           | 2018          | Change |
| Total sales proceeds                                     | <b>9,445,511</b>               | 11,707,732    | -19.3% |
| Turnover   | <b>3,542,032</b>               | 4,358,011     | -18.7% |
| Profit attributable to owners                            | <b>1,890,676</b>               | 1,690,070     | +11.9% |
| Profit attributable to owners before fair value changes* | <b>1,632,080</b>               | 1,996,298     | -18.2% |
| Earnings per share – basic                               | <b>HK\$1.26</b>                | HK\$1.08      | +16.7% |
| Final cash dividend per share                            | <b>nil</b>                     | 37.0 HK cents | N/A    |

\* Excluding fair-value changes on investment property and financial investments

(9 March 2020 – Hong Kong) Lifestyle International Holdings Limited (“Lifestyle International” or the “Company”, together with its subsidiaries, collectively as the “Group”; stock code: 1212), is pleased to announce its annual results for the year ended 31 December 2019.

The Group’s home market Hong Kong saw the first annual contraction since the global financial crisis a decade ago as local social incidents dealt a severe blow to an economy already weakened by a synchronized global economic slowdown and China-US trade war. Notwithstanding the challenging operating environment, Lifestyle International persistently enhanced its operational efficiency and reinforced customer loyalty to fortify its footing in the Hong Kong retail market.

The Group’s total gross sales proceeds dropped by 19.3% and turnover decreased by 18.7%, largely due to decline in store traffic caused by the months-long social unrest that led to a slump in inbound tourism and weaker consumer sentiment. Profit attributable to owners amounted to HK\$1,890.7 million, up 11.9% from HK\$1,690.1 million in 2018. The profit increase amid sales decline was primarily attributable to a significant increase in fair value gain on the Group’s financial investment portfolio. Without counting the fair value changes on investment property and financial investments, the Group’s operating profit for the year shrunk 18.2% to HK\$1,632.1 million from HK\$1,996.3 million recorded in the previous year, with HK\$642.4 million being recorded in the second half of 2019, plummeted 35.1% from the HK\$989.7 million recorded in the first half of the year as sales fell. Earnings per share amounted to HK\$1.26.

In view of the deteriorating operating environment and continued uncertainties, the board of directors has resolved to not recommend the payment of the final dividend. The Group believes that this measure is a prudent and responsible means of preserving cash for the long-term financial health of the Company.

Faced with frequent business disruptions resulting from protests and other social incidents that took place in the vicinity of the Group’s stores in the second half of the year, the stores were often subject to shortening of operating hours or full closures. As a result, a total of approximately 60 business days were affected during the second half of 2019. Sales at the flagship SOGO Causeway Bay (“SOGO CWB”) plunged 33.8% year on year during the second half of the year and saw a drop of 19.4% for the full year. The store saw a decline in the overall traffic footfall while average ticket size (excluding transactions from the Freshmart supermarket) remained steady.

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Due to the dramatic fall in inbound tourism and weak local consumption in the second half of 2019, sales at SOGO Tsim Sha Tsui (“SOGO TST”) reversed its growth trend for the first time since 2015 with sales revenue plummeted 46.0% in the second half of 2019 and down 18.8% for the full year. Both traffic footfall and stay-and-buy ratio for the full year dropped as, similar to the CWB store, the months-long civil unrest significantly affected the operations of the store.

The construction works of the Group’s Kai Tak Project has been progressing satisfactorily despite logistical delays caused by recent viral outbreak. The Group will work closely with contractors to continue pushing the project forward. The construction of the twin blocks of commercial buildings, that upon completion in 2022, will host a new SOGO department store and complementary retailing, entertainment, dining and lifestyle facilities in the new Kai Tak development area, East Kowloon.

Commenting on the results, **Ms. Kam Shim Lau, Executive Director of Lifestyle International**, said, “2019 marked a year of unprecedented challenges and volatility. World economic growth experienced a synchronized slowdown and in the wake of a protracted trade war with the US, China’s economy grew at its slowest pace in almost three decades. As a consequence of China-US trade tensions and ongoing social unrest, Hong Kong slipped into its first economic recession in over a decade.”

“In recent months, the outbreak of the novel coronavirus has further dealt a heavy blow upon the Hong Kong economy, severely affecting both inbound tourism and local consumption. This will place further pressure upon the already weakening Chinese economy and could derail fledging global economic growth in the short to medium term. “

Ms. Lau concluded, “In view of these ongoing uncertainties, for the first time, management retains a pessimistic outlook for the Hong Kong retail market in the coming year, as a prolonged virus outbreak and potential local social unrest could continue and further undermine local business and consumer sentiment. In face of these headwinds, our dedicated management team will remain focused upon further bolstering the resilience of our core business in order to preserve our long-term competitiveness within an increasingly turbulent market.”

“We will continue to regularly review our strategic plans within the business and re-evaluate our organizational structure in preparation for extremities. In face of the difficulties over the past year, the cooperation and trust of our business partners has been crucial towards our business operations. The challenges have given us an opportunity to demonstrate the importance of our partnership philosophy and we intend to further strengthen the long-standing relationships with each of our vendors in the coming future. ”

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## About Lifestyle International

Lifestyle International is a successful lifestyle department store operator. The Group operates SOGO department stores in Hong Kong, namely Causeway Bay and Tsim Sha Tsui, with mid to upper-end market positioning. Characterized by the ‘one-stop shopping’ concept and unparalleled brand equity, the Group’s department stores offer a wide variety of goods ranging from daily necessities to luxury products as well as personal care services, including beauty salons, in a comfortable and pleasurable shopping environment.

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