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 2010

HIGHLIGHTS

- Turnover amounted to HK$1,993.4 million, representing 14.6% increase
- Profit for the period surged 38.8% to HK$616 million
- Earnings per share increased 38.3% to HK cents 36.8
- Interim dividend HK cents 14.7 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, 2010 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, 2010

		Six months ended 30th June	
		2010	2009
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Turnover	*3*	**1,993,433**	1,739,764
Cost of sales	*4*	**(850,344)**	(756,314)
Gross profit		**1,143,089**	983,450
Other income		**86,453**	71,576
Selling and distribution costs		**(420,408)**	(386,756)
Administrative expenses		**(98,465)**	(112,809)
Investment (expense) income	*5*	**(278)**	22,147
Fair value changes on investment properties		**3,239**	–
Share of profit of a jointly controlled entity		**7,361**	7,070
Discount arising on acquisition of additional interest in an associate		**114,556**	–
Share of profits of associates		**44,747**	18,026
Finance costs	*6*	**(17,873)**	(19,304)
Profit before taxation		**862,421**	583,400
Taxation	*7*	**(146,444)**	(114,430)
Profit for the period	*8*	**715,977**	468,970
Other comprehensive income			
Exchange difference arising on translation of foreign operation		**42,652**	33,945
Change in fair value for available-for-sale investments		**1,947**	(12,675)
Reclassification upon impairment of available-for-sale investments		**–**	12,675
Transfer of properties to investment properties:			
– surplus on revaluation		**–**	159,948
– deferred tax relating to revaluation surplus		**–**	(39,987)
Other comprehensive income for the period (net of tax)		**44,599**	153,906
Total comprehensive income for the period		**760,576**	622,876
Profit for the period attributable to:			
Owners of the Company		**615,998**	443,710
Non-controlling interests		**99,979**	25,260
		715,977	468,970
Total comprehensive income attributable to:			
Owners of the Company		**653,731**	599,231
Non-controlling interests		**106,845**	23,645
		760,576	622,876
Earnings per share	*10*		
– basic		**HK$0.368**	HK$0.266
– diluted		**HK$0.365**	HK$0.265

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30TH JUNE, 2010

	NOTES	**30th June, 2010 *HK$'000* (Unaudited)**	31st December, 2009 *HK$'000* (Audited)
Non-current assets			
Investment properties		**1,416,378**	1,411,108
Property, plant and equipment		**3,850,427**	3,895,014
Prepaid lease payments		**1,385,866**	1,407,190
Long-term deposits paid		**1,367**	237,391
Interests in associates		**1,279,678**	720,442
Interest in a jointly controlled entity		**512,269**	502,298
Available-for-sale investments		**11,685**	9,688
Club debenture		**12,737**	10,756
		8,470,407	8,193,887
Current assets			
Inventories		**57,581**	60,513
Prepaid lease payments		**10,006**	9,952
Trade and other receivables	*11*	**163,563**	163,924
Amount due from a jointly controlled entity		**23,186**	47,484
Financial assets designated at fair value through profit or loss		**21,580**	–
Held for trading investments		**378,496**	341,457
Loans receivable		**–**	157,583
Pledged bank deposits		**–**	120,203
Bank balances and cash		**3,154,117**	2,769,490
		3,808,529	3,670,606
Assets classified as held for sale		**438,455**	436,909
		4,246,984	4,107,515
Current liabilities			
Trade and other payables	*12*	**1,555,606**	2,145,163
Tax payable		**170,963**	114,084
Bank borrowings – due within one year		**1,667,450**	1,043,290
		3,394,019	3,302,537
Net current assets		**852,965**	804,978
		9,323,372	8,998,865

	30th June, 2010 *HK$'000* (Unaudited)	31st December, 2009 *HK$'000* (Audited)
Non-current liabilities		
Bank borrowings – due after one year	**1,788,110**	2,143,430
Deferred tax liabilities	**175,656**	168,983
Amount due to a minority shareholder of a subsidiary	**162,690**	3,445
	2,126,456	2,315,858
	7,196,916	6,683,007
Capital and reserves		
Share capital	**8,391**	8,368
Reserves	**6,520,142**	6,113,101
Equity attributable to owners of the Company	**6,528,533**	6,121,469
Non-controlling interests	**668,383**	561,538
	7,196,916	6,683,007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

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 used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

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

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combinations
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) – INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate
2 Effective for annual periods beginning on or after 1st February, 2010
3 Effective for annual periods beginning on or after 1st July, 2010
4 Effective for annual periods beginning on or after 1st January, 2011
5 Effective for annual periods beginning on or after 1st January, 2013

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

Turnover represents the amount received and receivable for goods sold by the Group to 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	
	2010	2009
	HK$'000	*HK$'000*
Sales of goods – direct sales	**1,155,232**	1,027,543
Income from concessionaire sales	**759,659**	643,198
Rental income	**35,068**	30,223
Services income	**43,474**	38,800
	1,993,433	1,739,764

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

For the six months ended 30th June, 2010

	Hong Kong	**PRC**	**Consolidated total**
	HK$'000	***HK$'000***	***HK$'000***
Turnover			
External sales	**1,585,420**	**408,013**	**1,993,433**
Result			
Segment results	**626,445**	**84,224**	**710,669**
Investment expense			**(278)**
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			**862,421**

3. TURNOVER AND SEGMENT INFORMATION (Continued)

For the six months ended 30th June, 2009

	Hong Kong HK$'000	PRC HK$'000	Consolidated total HK$'000
Turnover			
External sales	1,409,639	330,125	1,739,764
Result			
Segment results	516,084	39,377	555,461
Investment income			22,147
Share of profit of a jointly controlled entity			7,070
Share of profits of associates			18,026
Finance costs			(19,304)
Profit before taxation			583,400

Segment profit represents the profit earned by each segment without allocation of 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 (expense) income and finance costs. This is the measure reported to the Group's Managing Director for the purposes of resource allocation and performance assessment.

4. COST OF SALES

	Six months ended 30th June	
	2010	2009
	HK$'000	*HK$'000*
The cost of sales are analysed as follows:		
Cost of goods sold	**823,334**	730,027
Other cost of sales	**27,010**	26,287
	850,344	756,314

5. INVESTMENT (EXPENSE) INCOME

	Six months ended 30th June	
	2010	2009
	HK$'000	*HK$'000*
Interest income on bank deposits	**5,443**	6,669
Interest income on loans receivable	**6,029**	5,917
Other interest income	**–**	57
Dividend income		
Available-for-sale investments	**1,555**	1,550
Held for trading investments	**1,148**	1,551
Realised gain on disposal of held for trading investments/ financial assets designated at fair value through profit or loss	**2,221**	–
Impairment loss on available-for-sale investments	**–**	(12,675)
Change in fair value of		
Financial assets designated at fair value through profit or loss	**(1,959)**	(2,796)
Held for trading investments	**(14,715)**	21,874
	(278)	22,147

6. FINANCE COSTS

	Six months ended 30th June	
	2010	2009
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings and overdrafts:		
– wholly repayable within five years	**13,471**	12,802
– wholly repayable after five years	**5,837**	8,688
Others	**572**	656
	19,880	22,146
Less: Amount capitalised	**(2,007)**	(2,842)
	17,873	19,304

7. TAXATION

	Six months ended 30th June	
	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**101,425**	81,078
PRC Enterprise Income Tax	**35,453**	25,731
Underprovision in prior period:		
Hong Kong	**2,893**	–
	139,771	106,809
Deferred tax charge		
Current period	**6,673**	7,621
	146,444	114,430

Hong Kong Profits Tax is provided at 16.5% (six months ended 30th June, 2009: 16.5%) of the estimated assessable profit for the period. PRC Enterprise Income Tax is provided at 25% (six months ended 30th June, 2009: 25%) on the estimated assessable profit for the period.

8. PROFIT FOR THE PERIOD

	Six months ended 30th June	
	2010	2009
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging:		
Depreciation	**104,706**	100,500
Equity-settled share-based payment expense	**9,624**	31,305
Loss on disposal of property, plant and equipment	**555**	65

9. DIVIDENDS

During the period, a dividend of HK cents 17.0 (six months ended 30th June, 2009: HK cents 12.0) in cash per share, totaling HK$285,115,000, was paid to shareholders as final dividend for the year ended 31st December, 2009 (six months ended 30th June, 2009: totaling HK$199,998,000 for the year ended 31st December, 2008).

The Board have declared an interim dividend, for the six months ended 30th June, 2010, of HK cents 14.7 (2009: HK cents 11.0) in cash per share. The said interim dividend will be payable on or about 3rd September, 2010 to shareholders whose names appear on the Register of Members of the Company on 27th August, 2010.

10. EARNINGS PER SHARE

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

	Six months ended 30th June	
	2010	2009
	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	**615,998**	443,710

	2010	2009
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,675,785**	1,666,695
Effect of dilutive potential ordinary shares issuable under the Company's share option scheme	**10,328**	5,514
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,686,113**	1,672,209

11. TRADE AND OTHER RECEIVABLES

	30th June, 2010	31st December, 2009
	HK$'000	*HK$'000*
Trade receivables	**45,970**	58,929
Other receivables, deposits and prepayments	**117,593**	104,995
Total trade and other receivables	**163,563**	163,924

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, 2010	31st December, 2009
	HK$'000	*HK$'000*
0 – 30 days	**41,320**	54,554
31 – 60 days	**4,650**	3,078
61 – 90 days	**–**	498
Over 90 days	**–**	799
	45,970	58,929

12. TRADE AND OTHER PAYABLES

	30th June, 2010 *HK$'000*	31st December, 2009 *HK$'000*
Trade payables	**165,593**	239,324
Concessionaire sales payable	**610,152**	832,745
Other payables, deposits and accrued charges	**779,861**	1,073,094
Total trade and other payables	**1,555,606**	2,145,163

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

	30th June, 2010 *HK$'000*	31st December, 2009 *HK$'000*
0 – 30 days	**133,343**	187,768
31 – 60 days	**31,768**	42,648
61 – 90 days	**232**	5,785
Over 90 days	**250**	3,123
	165,593	239,324

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, 2010, of HK cents 14.7 (the "Interim Dividend")(2009: HK cents 11.0) in cash per share. This Interim Dividend will be paid on or about Friday, 3rd September, 2010 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, 27th August, 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed for the period from Wednesday, 25th August, 2010 to Friday, 27th August, 2010 (both dates inclusive), no transfer of shares will be registered during the said period. In order to qualify for the Interim Dividend, all transfers of shares with relevant share certificates and 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, 24th August, 2010.

FINANCIAL REVIEW

Turnover and Sales Proceeds

For the period under review, the Group's turnover grew to HK$1,993.4 million, a 14.6% increase from HK$1,739.8 million recorded in the first half of 2009. Net sales proceeds amounted to HK$4,505.2 million, up 17.4% from HK$3,836.4 million, with the Hong Kong operations contributing HK$3,271.9 million and PRC stores contributing HK$1,233.3 million. They respectively accounted for 72.6% and 27.4% of the Group's sales proceeds. The increase was attributable to same store sales growth of the three major stores in Hong Kong and Shanghai and additional sales revenue from the two new stores in Suzhou and Dalian respectively.

Gross Profit and Gross Margin

Gross profit margin as a percentage of net sales proceeds remained stable at 25.4% for the first half of 2010, compared with 25.6% for the same period in 2009. Gross profit rose to HK$1,143.1 million, up 16.2% from HK$983.5 million in 2009. Gross profit margin as a percentage of turnover edged up slightly to 57.3% from 56.5% in 2009.

Net Profit

During the period under review, the Group's net profit attributable to owners of the Company was HK$616 million, up 38.8% from HK$443.7 million recorded in the same period in 2009. Net profit during the period included some HK$68.7 million of discount on acquisition of associates which is one-off and net profit margin (excluding the said one-off gain) as a percentage of turnover increased from 25.5% to 27.4% as the Group continued to benefit from operating leverage and narrowing of losses at the new stores. Share of profit of associates has also increased by HK$26.7 million (before minority interests) during the period.

Selling and Distribution Costs

The Group's selling and distribution costs at the three major stores remained relatively stable over time, and the increase during the period compared with last year was mainly owing to the costs incurred by the two new stores which were in trial run same period last year.

Administrative Expenses

The decrease in the overall administrative expenses was a result of the smaller share option charge during the period but was slightly offset by an increase in the staff cost at the two new stores.

Finance Costs

Finance costs of HK$17.9 million mainly comprised interest expenses on the Group's bank loans. Decrease in interest expense was mainly due to lower interest rate environment and the gradual reduction of the loan level during the period. During the period under review, a total of HK$2 million (2009: HK$2.8 million) of interest has been capitalized as property under development in respect of the Shenyang project.

Liquidity and Financial Resources

The Group was at a net debt position as at 30th June 2010, with approximately HK$3,154.1 million of cash and bank balances, and approximately HK$3,455.6 million of bank loans. Gearing ratio (net debt as a percentage of shareholders' equity) was 4.6% at 30th June, 2010 (31st December, 2009: 4.9%). The cash and bank balances, mostly in US dollar and Hong Kong dollar and accounting for approximately 77.4% of the Group's total cash and bank balances, were held mainly at banks in Hong Kong as short-term deposits for interest income. The remaining approximately 22.6% of the Group's cash and bank balances are denominated in RMB and deposited with banks in the PRC. The Group's bank loans included a Hong Kong dollar revolving loan of HK$1,000 million and term loan of HK$1,950 million, repayable semi-annually, with the final repayment due in December 2011. This loan facility bears interest with reference to HIBOR. The remaining loan balance represents working capital and project renminbi loans bearing interest calculated with reference to the PBOC lending rate.

Pledge of Assets

As at 30th June, 2010, certain of the Group's land and buildings with a book value of HK$1,569.4 million (31st December, 2009: HK$1,591.6 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$2,950 million is outstanding. In addition, certain of the Group's properties in the PRC with a carrying value of approximately HK$1,398.3 million (31st December, 2009: HK$1,317.2 million) have been pledged to secure a loan facility to the tune of approximately RMB390 million (31st December, 2009: RMB390 million) (equivalent to HK$448.1 million).

REVIEW OF OPERATIONS

Retail Market Overview

In the first half of 2010, the general retail environment continued its growth momentum carried forward from the latter half of 2009 against a backdrop of continuous stabilisation of the world economy. During the period under review, the global economy expanded at an annual rate of over 5%, following months of worldwide economic meltdown triggered by the global financial crisis. The better-than-expected recovery was largely a result of the continued economic growth in Asia, and China in particular led the way with a staggering 11.1% GDP growth in the first half of 2010. The economic giant also demonstrated solid growth in retail sales, urban investment and exports, all of which amounted to significant contribution to global stability in the aftermath of the crisis.

Meanwhile, the tension in the international financial markets has eased while central banks around the world continued to maintain the generous supply of liquidity. Despite uncertainties over the recent sovereign debt crisis in Europe, consumer confidence continued to improve and employment growth resumed in many advanced economies. In all, macroeconomic developments during the first six months of the year confirmed expectations of resumed growth in emerging economies and gradual recovery in advanced economies.

In Hong Kong

The retail industry in Hong Kong experienced a spurt of growth during the first six months of 2010, thanks in part to a surge in the number of visitor arrivals as well as the wealth effect brought about by the buoyant property market.

As the global economy continued to stabilise and the Chinese economy accelerated after bottoming out in the first half of 2009, Hong Kong's economy stood to benefit from the positive developments. In the first quarter of the year, the economy expanded by 8.2%, the fastest pace in four years. Growth was even more prominent in the retail sector, thanks to the sharp rebound in inbound tourism and the wealth effect brought about mainly by the surging asset prices and improving market sentiment and job market.

In the first half of 2010, Hong Kong reported a record half-yearly number of inbound tourists, with visitor arrivals jumping 23.1% from a year earlier to 16.8 million. Mainland Chinese tourists, who have made notable contribution to the Hong Kong retail boom, accounted for 62.2% of the total inbound tourists.

In China

China's GDP grew 11.1% in the first half of 2010 and notwithstanding a slower 10.3% growth in GDP recorded in the second quarter as compared with 11.9% in the first quarter, the Chinese economy continued to play a vital role in the world's economic recovery. Domestic consumption showed the most stable expansion in driving Mainland China's economy. Buoyed by the government's consumption-friendly policy incentives, wage growth and acceleration in urbanization, retail sales grew 18.2% year on year in the first half of 2010 to RMB7.3 trillion.

Performance by Store

Hong Kong

In line with the market upturn, the Group's two stores in Hong Kong enjoyed a significant uplift 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 stood at approximately HK$3.3 billion in total. This represented a 13.8% increase year-on-year and accounted for 2.0% of the Hong Kong retail sales and 20.8% of department store sales.

As one of the major shopping landmarks for locals and tourists, SOGO CWB continues to stand in good stead. For the first half of the year, it recorded a 13.9% growth and raked in approximately HK$2,957.5 million in sales revenue. Average ticket size was up 12.1% to HK$595, while the stay-and-buy ratio rose to 30.7%.

Following years of spectacular growth, SOGO TST nowadays follows a less dramatic growth path as would a major industry player with a good track record. Like its Causeway Bay counterpart, SOGO TST now consistently delivers steady growth. During the period under review, it logged HK$314.4 million in total sales revenue, up 13.4% from the same period last year. The rise was driven mainly by increase in average ticket size, which was up 8.4%. Total daily traffic footfall was down 4.3% to 29,200 while the stay-and-buy ratio rose to 15.4% from 14.1%.

Mainland China

During the first half of 2010, the Group's three stores in Mainland China have benefited from the retail boom of the country. Pent-up demand from the more affluent group and middle class consumers after the global financial crisis has helped fuel the sales growth.

Shanghai Jiuguang continued its growth momentum and during the first half of 2010, sales takings totalled RMB865.4 million, up 19% versus the same period last year. Traffic footfall, average ticket size and stay-and-buy ratio posted healthy growth of 4.1%, 11.9% and 4.1% respectively. Although the full effect is to be seen, the Shanghai World Expo, which opened on 1st May, 2010, has to certain extent enhanced store traffic and therefore sales revenue. More important, though, is that the growing affluence of the rising middle class in Shanghai is shaping the consumption pattern in Shanghai Jiuguang's favour. Shopping of many locals in Shanghai today do not only seek to satisfy their demand for daily necessities, but they also like to use their rising disposable income to make discretionary purchases of luxury goods in a better shopping environment. This partly explains why Shanghai Jiuguang's sales growth has consistently been outperforming the market since it was launched in late 2004.

Suzhou Jiuguang has gradually been picking up momentum during the first half of 2010. Daily traffic footfall increased steadily to 11,400, with net sales revenue grew 74.8% to RMB161.1 million. The Group is currently adopting various marketing strategies to meet local demand and to build a loyal client base. The management reckons the store will thrive in the long run.

Meanwhile, Dalian Jiuguang delivered satisfactory growth for the period under review, net sales amounted to RMB45.9 million compared with RMB23.6 million a year earlier. Traffic footfall continued to improve with daily traffic at around 5,000. In light of Dalian Jiuguang's relatively favourable location and the Group's high brand equity, management believes that given more time, the store will attract a wide range of mid-to-high-end customers in Dalian.

Expansion in Mainland

At present, the Group still has two new projects in the pipeline, namely the Tianjin property and the Shenyang project.

Renovation work at the shopping mall in Tianjin has already started and is proceeding well. The premise has already entered the first phase of renting and the market response has been encouraging, with over 50% of the space having been snapped up by tenants to date. The mall is expected to be launched into operation before the end of the year.

The development work of the Shenyang Jiuguang store building, located at Zhongjie Lu, a well-known pedestrian walk in Shenhe District, is in progress and the store is expected to be launched in the 2012/2013 period.

Outlook and Plan

In light of the current global economic climate and with China's resurgence in economic growth, the management is taking a cautiously optimistic view about the Hong Kong and mainland retail markets in the second half of 2010. Barring unexpected events in the macroeconomic environment, the management believes both markets will continue to grow in a healthy and steady manner. However, the growth rate may be slightly lower than that in the first half of the year, which has been flattered by a relatively low base.

Nonetheless, the continuously economic growth in China is reassuring at least in the medium term. Domestic demand is expected to rise steadily and play an increasingly important role in driving the economy forward. The People's Bank of China's recent decision to push the renminbi exchange rate reform further, with a view to making the renminbi exchange rate more flexible, is set to bring multiple benefits to the Chinese economy, including job creation, easing of imported inflation, and stimulants to boost the sluggish Chinese stock market. All these developments will help bolster the retail market and benefit the Group's business.

The management believes Lifestyle International's solid financial position puts it on a good pedestal to capture expansion opportunities in a prudent yet proactive manner. In addition, the Group's growing brand equity, sensible merchandise mix and innovative marketing strategies will stand it in good stead to capitalize on the growing middle class and the rise in disposable income and purchasing power in China. In the six months to come, the Group will continue to capitalize on its fundamental strengths and supreme industry position to strive for further and sustainable growth. Persistent efforts will be made to refine and strengthen the Group's existing operations. The management will also be on the lookout for lucrative opportunities that befit the Group's growth strategy, with a view to generating maximum returns for shareholders.

EMPLOYEES

As at 30th June, 2010, the Group had a total of about 1,000 employees in Hong Kong and 1,500 employees in the PRC. Staff costs (excluding directors' emoluments) including employees' share option charges of HK$3.6 million (2009: HK$16.6 million) amounted to HK$150.1 million (2009: HK$152.5 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

During the six months ended 30th June, 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30th June, 2010, the Company has complied with the code provisions laid down in the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

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 own code of conduct regarding its Directors' securities transactions on the Company's shares. Specific enquiry has been made to all Directors, and all Directors have confirmed that they have complied with all the relevant codes and requirements as set out in the Model Code during the period.

AUDIT COMMITTEE

The Audit Committee of the Company is to review and supervise the financial reporting process and internal control procedures of the Group. The Group's interim results for the six months ended 30th June, 2010 have been reviewed by the Audit Committee and the Company's auditors.

The Audit Committee of the Company comprises of 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. Mr. Lam is the Chairman of the Audit Committee and a certified public accountant.

REMUNERATION COMMITTEE

The Remuneration Committee is to consider the remuneration of the Directors and senior management of the Group. The Remuneration Committee comprises of three Independent Non-executive Directors, namely, Mr. Lam Siu-lun, Simon, The Hon. Shek Lai-him, Abraham and Mr. Hui Chiu-chung, Stephen and one Executive Director, Mr. Lau Luen-hung, Thomas. Mr. Lau is the Chairman of the Remuneration Committee.

PUBLICATION OF INTERIM REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The interim report for the six months ended 30th June, 2010 containing all the information as required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and will be mailed to shareholders of the Company on or about Thursday, 19th August, 2010.

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, 9th August, 2010

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