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LIFESTYLE CHINA GROUP LIMITED

利福中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2136)

CONTINUING CONNECTED TRANSACTIONS RENEWAL OF ANNUAL CAPS

SHANGHAI TENANCY AGREEMENT

Reference is made to the Company's announcement dated 18 December 2018 in relation to the renewal of annual caps for the period up to the financial year ending 31 December 2021 in respect of the continuing connected transactions contemplated under the Shanghai Tenancy Agreement.

This announcement is to provide information on the New Annual Caps to be set for each of the two years ending 31 December 2022 and 2023 and the period ending 30 September 2024, in respect of the continuing connected transactions contemplated under the Shanghai Tenancy Agreement.

LISTING RULES IMPLICATION

As at the date of this announcement, Shanghai Ongoing is a 65% indirectly owned subsidiary of the Company and its remaining 35% equity interest is owned as to 5% by Joinbuy Group and 30% by Joinbuy Co.. The joint venture, Shanghai Joinbuy City Plaza, is owned as to 50% by the Company, 12% by Joinbuy Group and 38% by Joinbuy Co..

Joinbuy Group and Joinbuy Co. (whose controlling shareholder is Joinbuy Group), being substantial shareholders of Shanghai Ongoing, are connected persons of the Company at the subsidiary level. As Shanghai Joinbuy City Plaza is owned as to 12% by Joinbuy Group and 38% by Joinbuy Co., Shanghai Joinbuy City Plaza is an associate of Joinbuy Co. and a connected person of the Company at the subsidiary level. The transaction contemplated under the Shanghai Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Shanghai Joinbuy City Plaza is a connected person of the Company at the subsidiary level; (ii) the Board has approved the New Annual Caps; and (iii) the independent non-executive Directors have confirmed that the New Annual Caps are fair and reasonable, and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the New Annual Caps are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

SHANGHAI TENANCY AGREEMENT

Reference is made to the Company's announcement dated 18 December 2018 in relation to the renewal of annual caps for the period up to the financial year ending 31 December 2021 in respect of the continuing connected transactions contemplated under the Shanghai Tenancy Agreement.

Since the annual caps in respect of the amounts payable by Shanghai Ongoing under the Shanghai Tenancy Agreement will expire on 31 December 2021, the new annual caps for each of the two years ending 31 December 2022 and 2023 and the period ending 30 September 2024 are to be set for the continuing connected transactions contemplated under the Shanghai Tenancy Agreement.

BASIS OF DETERMINATION OF THE NEW ANNUAL CAPS

The amount of the lease/rental expenses and management fee paid or payable by Shanghai Ongoing for each of the two years ended 31 December 2019 and 2020 and the eleven months ended 30 November 2021 are as follows:

	For the year ended 31 December		For the eleven months ended 30 November
	2019	2020	2021
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Lease/Rental expenses paid/payable	159,662	145,162	147,423
Management fee paid/ payable	36,254	35,081	33,716

For the purpose of the Listing Rules, the new annual caps in respect of the lease/rental expenses and management fee under the Shanghai Tenancy Agreement to be incurred/payable by Shanghai Ongoing for each of the two years ending 31 December 2022 and 2023 and the period ending 30 September 2024 (the "New Annual Caps") are set out as follows:

	For the year ending 31 December		For the period ending 30 September
	2022	2023	2024
	<i>(RMB '000)</i>	<i>(RMB '000)</i>	<i>(RMB '000)</i>
New annual caps in respect of lease/rental expenses	164,000	163,000	121,000 <i>(Note)</i>
New annual caps in respect of management fee	40,000	42,000	33,000 <i>(Note)</i>

Note: The initial term of the Shanghai Tenancy Agreement will expire on 30 September 2024.

The new annual caps in respect to lease/rental expenses consist of depreciation charge, interest charge and turnover rent. The depreciation and interest charge are determined with reference to the value of right-to-use asset, which in turn is calculated by discounting, using the Group's estimated borrowing rate, the total basic annual rental for the remaining term of the lease, and the remaining lease term. The turnover rent payable pursuant to the Shanghai Tenancy Agreement however is arrived at based on the Company's estimated sales growth of Shanghai Jiuguang in future years, taking into account the expected market conditions and retail sales growth in Shanghai and the PRC. The new annual caps with respect to the management fees are based on budgets prepared by the property management branch company of Shanghai Joinbuy City Plaza for each of the two years ending 31 December 2022 and 2023 and the period ending 30 September 2024, taking into account historical cost trends, expected economic conditions and projected inflation rate.

REASONS FOR AND BENEFITS OF SETTING THE NEW ANNUAL CAPS

The entering into the Shanghai Tenancy Agreement was to secure a sizable retailing space for a sufficiently long period to enable the Group's operation of a department store in Shanghai, the PRC, with an aim to becoming a leading department store operator.

The Directors (including the independent non-executive Directors) consider that the basis for determining and the New Annual Caps are fair and reasonable and the setting of the New Annual Caps are in the interests of the Company and its shareholders as a whole.

INFORMATION OF THE GROUP AND THE CONNECTED PERSON

The Group

The Group is principally engaged in the operation of department stores and related retailing business and property development and investments in the PRC. The Group mainly operates its full-fledged lifestyle department stores, with middle to upper-end market positioning, through its retail brand name "Jiuguang" in the PRC.

Shanghai Ongoing

Shanghai Ongoing is a 65% indirectly owned subsidiary of the Company and the remaining 35% equity interest is owned as to 5% by Joinbuy Group and 30% by Joinbuy Co.. Shanghai Ongoing operates the "Jiuguang" store in Jingan district, Shanghai.

Shanghai Joinbuy City Plaza

Shanghai Joinbuy City Plaza is a joint venture owned as to 50% by the Company, 12% by Joinbuy Group and 38% by Joinbuy Co.. The principal business of Shanghai Joinbuy City Plaza is the holding of the Shanghai Premises, a retail property situated in Jingan district, Shanghai, which is being leased to Shanghai Ongoing for the operation of the "Jiuguang" store.

LISTING RULES IMPLICATION

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Joinbuy Group and Joinbuy Co. (whose controlling shareholder is Joinbuy Group), being substantial shareholders of Shanghai Ongoing, are connected persons of the Company at the subsidiary level. As Shanghai Joinbuy City Plaza is owned as to 12% by Joinbuy Group and 38% by Joinbuy Co., Shanghai Joinbuy City Plaza is an associate of Joinbuy Co. and a connected person of the Company at the subsidiary level. The transactions contemplated under the Shanghai Tenancy Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

By virtue of Rule 14A.101 of the Listing Rules, since (i) Shanghai Joinbuy City Plaza is connected person of the Company at the subsidiary level; (ii) the Board has approved the New Annual Caps; and (iii) the independent non-executive Directors have confirmed that the New Annual Caps are fair and reasonable, and are on normal commercial terms and in the interests of the Company and its shareholders as a whole, the New Annual Caps are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has material interest in the transactions contemplated under the Shanghai Tenancy Agreement and none of them is required to abstain from voting on the relevant Board resolution to approve the New Annual Caps.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

“Board”	the board of directors of the Company;
“Company”	Lifestyle China Group Limited (利福中國集團有限公司), a company incorporated in the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange;
“connected person”	has the meaning ascribed to it under the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Joinbuy Group”	上海九百(集團)有限公司 (Shanghai Joinbuy Group Co., Ltd.*), a company established in the PRC and wholly owned by Shanghai Jingan District State-owned Assets Supervision and Administration Commission, which holds 12% of the equity interest in Shanghai Joinbuy City Plaza and 5% of the equity interest in Shanghai Ongoing;
“Joinbuy Co.”	上海九百股份有限公司 (Shanghai Joinbuy Co., Ltd.*), a company established in the PRC and listed on the Shanghai Stock Exchange (stock code: 600838), which holds 38% of the equity interest in Shanghai Joinbuy City Plaza and 30% of the equity interest in Shanghai Ongoing;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“Shanghai Jiuguang”	the department store operated by Shanghai Ongoing at the Shanghai Premises under the name of “Shanghai Jiuguang Department Store (上海久光百貨)”;
“Shanghai Joinbuy City Plaza”	上海九百城市廣場有限公司 (Shanghai Joinbuy City Plaza Co. Ltd.*), a sino-foreign equity joint venture enterprise established in the PRC with limited liability, of which the Group owns an effective equity stake of 50%;
“Shanghai Ongoing”	Shanghai Ongoing Department Store Limited (上海久光百貨有限公司), a sino-foreign equity joint venture enterprise established in the PRC with limited liability, of which the Group owns an effective equity stake of 65%;
“Shanghai Premises”	the entire building (including open space, external wall and roof top of the building) situated at 1618 Nanjing Xi Road, Shanghai, the PRC known as Shanghai Joinbuy City Plaza Building (上海久百城市廣場大廈) with a gross construction floor area of 91,833.16 square metres;

“Shanghai Tenancy Agreement”	the tenancy agreement entered into between Shanghai Ongoing as tenant and Shanghai Joinbuy City Plaza as landlord on 26 November 2004, and supplemented by an agreement dated 15 March 2017, in relation to the Shanghai Premises for a period of 20 years commencing from 1 October 2004, with an option to extend for another 10 years upon expiry of the initial term of 20 years, exercisable by Shanghai Ongoing. The basic annual rental is RMB125 million, with adjustment for additional turnover rent calculated at the rate of 3.5% on the amount of the annual turnover over and above RMB1,500 million. Management fee of the Shanghai Premises will be charged by Shanghai Joinbuy City Plaza to Shanghai Ongoing at cost;
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules;
“RMB”	Renminbi, the lawful currency of the PRC;
“%”	per cent.

* *For identification purpose only*

By order of the Board
Lifestyle China Group Limited
Poon Fuk Chuen
Company Secretary

Hong Kong, 30 December 2021

As at the date of this announcement, the Board comprises Mr. Lau Luen Hung, Thomas as executive director; Ms. Chan Chor Ling, Amy as non-executive director; and Ms. Cheung Mei Han, Mr. Cheung Yuet Man, Raymond and Mr. Lam Kwong Wai as independent non-executive directors.