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S. CULTURE INTERNATIONAL HOLDINGS LIMITED

港大零售國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)

PROFIT WARNING

This announcement is made by the Company pursuant to Inside Information Provisions under Part XIVA of the SFO and Rule 13.09 of the Listing Rules.

The Board wishes to inform the shareholders of the Company and potential investors that, based on the preliminary assessment of the Group's unaudited Management Accounts for the year ended 31 December 2013 and information currently available to the Board, the Group expects to record a significant decrease in profit for the year ended 31 December 2013 as compared to that for the year ended 31 December 2012.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

This announcement is made by the board (“**Board**”) of directors (“**Directors**”) of S. Culture International Holdings Limited (the “**Company**”) (and together with its subsidiaries, the “**Group**”) pursuant to Inside Information Provisions (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) under Part XIVA of the Securities and Futures Ordinance (Cap. 571) (the “**SFO**”) and Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The Board wishes to inform the shareholders of the Company and potential investors that the Group expects to record a significant decrease in profit for the year ended 31 December 2013 as compared to that for the year ended 31 December 2012, based on a preliminary review on the unaudited consolidated management accounts of the Group for the year ended 31 December 2013 (the “**Management Accounts**”).

The Board believes that the significant decrease in the unaudited consolidated profit is mainly affected by:

- (i) the one-off listing expense and the absence of one-off income including but not limited to the reversal of allowance for inventories in 2012;

- (ii) an increase in selling and distribution costs including but not limited to an increase in sales commission as a result of the encouragement of sales amongst the sluggish retail environment due to various non-recurring factors such as the promulgation of changes of tourism law of the Mainland and unfavourable weather conditions during major holidays in the second half of 2013 as compared to the same period in 2012, resulting in a lower increase in the Group's operational profit; and
- (iii) an increase in administrative expenses including but not limited to the increasing salaries and allowance for the incumbent and new employees as well as additional depreciation, for newly opened stores as part of the rapid expansion of the Group's business after the listing of the Group, and as such stores were only opened recently, no substantial income has been derived from them yet.

Despite the above, for the fourth quarter of 2013, the Group recorded a same store sales growth of approximately 23%. As at 31 December 2013, the total number of retail outlets of the Group was 108, which represented a net increase of nine compared to the total number of retail outlets of the Group as at 30 June 2013.

The information and operational statistics contained in this announcement are only based on the preliminary assessment made by the Board with reference to the Management Accounts and information currently available and the same has not been reviewed by or discussed with the auditors of the Company. Actual financial results of the Group for the year ended 31 December 2013 may be different from what is disclosed in this announcement.

Shareholders and potential investors are advised to read carefully the annual results announcement of the Company for the year ended 31 December 2013 which is expected to published in or around March 2014.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

By Order of the Board of
S. Culture International Holdings Limited
Chow Wing Hang, John
Company Secretary

Hong Kong, 8 January 2014

As at the date of this announcement, our Executive Directors are Mr. Chu Siu Ming, Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta, the non-executive Directors are Mr. Chong Hot Hoi, Mr. Chong Hok Hei, Charles and Mr. Yu Fuk Lun, and the independent non-executive Directors are Mr. Wan Kam To, Mr. Yau Tat Wang, Dennis and Mr. Lam Man Tin.