S.Culture
INTERNATIONAL HOLDINGS LIMITED

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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

		Six months ended 30 June	
		2014	2013
Revenue	*HK$'000*	**291,613**	255,152
Gross profit	*HK$'000*	**187,259**	168,096
Profit before taxation	*HK$'000*	**13,357**	11,128
Profit attributable to owners of the Company	*HK$'000*	**10,802**	9,055
Gross profit margin	*%*	**64.2**	65.9
Profit margin attributable to owners of the Company	*%*	**3.7**	3.5
Earnings per share — basic	*HK$*	**0.054**	0.060
Adjusted earnings per share — basic *(Note)*	*HK$*	**0.054**	0.045

Note: The weighted average number of 200,000,000 ordinary shares in issue was applied in the computation of adjusted earnings per share for the six months ended 30 June 2013 as if the group reorganisation and the public offering were effective on 1 January 2013 and the allotment of 9,999 ordinary shares of HK$0.01 each and the capitalisation issue of 149,990,000 ordinary shares of HK$0.01 each had been adjusted.

The board of directors (the "Board") of S. Culture International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2014 together with comparative figures for the corresponding period in 2013, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2014 together with audited comparative figures as at 31 December 2013. The unaudited condensed consolidated interim financial statements have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

		Six months ended 30 June	
		2014	2013
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	3	**291,613**	255,152
Cost of goods sold		**(104,354)**	(87,056)
Gross profit		**187,259**	168,096
Other income		**992**	72
Other (losses) gains		**(434)**	325
Selling and distribution costs		**(102,894)**	(97,480)
Administrative expenses		**(70,741)**	(56,183)
Finance costs		**(825)**	(837)
Listing expenses		**—**	(2,865)
Profit before taxation	4	**13,357**	11,128
Taxation	5	**(2,555)**	(2,073)
Profit for the period		**10,802**	9,055
Other comprehensive expense			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		**(908)**	(84)
Total comprehensive income for the period		**9,894**	8,971
Earnings per share — basic *(HK$)*	7	**0.054**	0.060

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	NOTES	At 30.6.2014 HK$'000 (unaudited)	At 31.12.2013 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	8	**48,895**	49,516
Investment properties		**782**	789
Deferred tax assets		**5,701**	5,416
Rental deposits		**14,948**	10,706
		70,326	66,427
Current assets			
Inventories		**161,852**	160,221
Trade and other receivables	9	**64,217**	77,103
Taxation recoverable		**1,849**	1,616
Bank balances and cash		**75,051**	89,889
		302,969	328,829
Current liabilities			
Trade and other payables	10	**25,064**	34,293
Taxation payable		**3,212**	1,805
Bank borrowings — due within one year		**80,922**	103,966
		109,198	140,064
Net current assets		**193,771**	188,765
Total assets less current liabilities		**264,097**	255,192
Non-current liabilities			
Bank borrowings — due after one year		**13,091**	14,080
Net assets		**251,006**	241,112
Capital and reserves			
Share capital		**2,000**	2,000
Reserves		**249,006**	239,112
Total equity		**251,006**	241,112

NOTES

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The companies now comprising the Group underwent a series of reorganisation in the preparation of the initial listing of the shares of the Company on the Main Board of the Stock Exchange (the "Listing"). Before the completion of the group reorganisation, Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited ("Grand Asian") were wholly and directly owned by CN Fashion Limited ("CN Fashion"), the then immediate holding company of the Company. To streamline the shareholding in the group entities, on 28 December 2012, Kong Tai Sundry Goods (BVI) Company Limited and Grandasian Retail (BVI) Holdings Limited, subsidiaries of the Company, acquired the entire issued share capital of Kong Tai Sundry Goods and Grand Asian in consideration of the allotment of 2,000 shares of US$1 each to S. Culture Holdings (BVI) Limited ("S. Culture BVI") and then S. Culture BVI allotted and issued 2,000 shares of US$1 each to CN Fashion. To further effect the group reorganisation, on 25 January 2013, the Company acquired the entire issued share capital of S. Culture BVI from CN Fashion (the "Second Transfer") in consideration of the allotment of 9,999 shares of HK$0.01 each to CN Fashion. Upon completion of the Second Transfer, the Company became the holding company of the Group as at 25 January 2013. The shares in the Company held by CN Fashion were then distributed in specie to its shareholders on 25 January 2013 and KTS International Holdings Inc., a major shareholder of CN Fashion, became the immediate holding company of the Company on the same date.

The Group resulting from the group reorganisation, which involves interspersing the Company and various investment holding companies between Kong Tai Sundry Goods, Grand Asian and the shareholders of CN Fashion, is regarded as a continuing entity. Accordingly, the condensed consolidated statement of profit or loss and other comprehensive income and cash flows for the six months ended 30 June 2013 have been prepared to present the results and cash flows, as if the group structure upon the completion of the group reorganisation had been in existence throughout the period, or since their respective dates of incorporation or establishment where this is a shorter period. Subsidiaries disposed by the Group were derecognised on the date when the Group lost control.

The condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are effective for the Group's financial year beginning on 1 January 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) — INT 21	Levies

The application of the above new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to operating segments focusing on retail sales and wholesale of footwear products. These operating segments have been identified on the basis of internal management reports prepared in accordance with accounting policies conform to HKFRSs, that are regularly reviewed by the chief operating decision makers, the executive directors of the Company. The executive directors of the Company regularly review revenue and results analysis by (i) retail sales and (ii) wholesale. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors of the Company.

- Retail sales: Retail sales channel refers to sales at the self-operated concession counters in department stores and self-operated retail stores.

- Wholesale: Wholesale refers to the sales to wholesale customers who resell the products to end-user consumers, typically at retail stores operated by wholesale customers.

The information of operating and reportable segments is as follows:

Segment revenue and results

For the six months ended 30 June 2014

	Retail sales *HK$'000* **(unaudited)**	**Wholesale** *HK$'000* **(unaudited)**	**Segment total** *HK$'000* **(unaudited)**	**Elimination** *HK$'000* **(unaudited)**	**Total** *HK$'000* **(unaudited)**
REVENUE					
External sales	**268,905**	**22,708**	**291,613**	**—**	**291,613**
Inter-segment sales	**—**	**114,663**	**114,663**	**(114,663)**	**—**
Segment revenue	**268,905**	**137,371**	**406,276**	**(114,663)**	**291,613**
Segment results	**11,414**	**7,859**	**19,273**	**(1,771)**	**17,502**
Unallocated income					**834**
Unallocated expenses					**(4,154)**
Finance costs					**(825)**
Profit before taxation					**13,357**

For the six months ended 30 June 2013

	Retail sales *HK$'000* (unaudited)	Wholesale *HK$'000* (unaudited)	Segment total *HK$'000* (unaudited)	Elimination *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
REVENUE					
External sales	231,481	23,671	255,152	—	255,152
Inter-segment sales	—	91,808	91,808	(91,808)	—
Segment revenue	231,481	115,479	346,960	(91,808)	255,152
Segment results	6,684	7,707	14,391	(1,341)	13,050
Unallocated income					2,400
Unallocated expenses					(3,485)
Finance costs					(837)
Profit before taxation					11,128

Inter-segment sales are charged at prevailing market rates.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned from each segment without allocation of central administration costs, reversal of allowance for inventories, listing expenses, rental income, interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**1,130**	797
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**48,197**	50,836
— contingent rent *(note a)*	**3,231**	1,024
	51,428	51,860
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**21,369**	21,740
— contingent rent *(note a)*	**8,074**	3,695
	29,443	25,435
	82,001	78,092
Depreciation of property, plant and equipment	**7,079**	5,550
Depreciation of investment properties	**7**	—
Staff costs, including directors' emoluments	**55,463**	48,215
Reversal of allowance for inventories (included in cost of goods sold) *(note b)*	**—**	(2,394)
Rental income	**(450)**	—
Interest income	**(384)**	(6)
Net exchange loss (gain)	**431**	(325)

Notes:

(a) The contingent rent refers to the operating lease rentals based on pre-determined percentages to realised sales less basic rentals of the respective leases.

(b) Included in cost of inventories recognised as expenses were certain obsolete inventories sold to customers at original cost or above which resulted in a reversal of allowance amounting to HK$2,394,000 during the six months ended 30 June 2013 (six months ended 30 June 2014: nil).

5. TAXATION

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**2,691**	2,014
Macau Complementary Tax	**163**	59
	2,854	2,073
Deferred taxation	**(299)**	—
	2,555	2,073

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, are not subject to any income tax.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profit for the period.

Taiwan income tax is calculated at 17% (six months ended 30 June 2013: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the period. No provision for Taiwan income tax has been made in the condensed consolidated financial statements as the assessable profits for the six months ended 30 June 2014 are wholly absorbed by the tax loss brought forward and the branch operating in Taiwan had no assessable profits for the six months ended 30 June 2013.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (six months ended 30 June 2013: 9% to 12%) on the estimated assessable profit for the period.

Under the Law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements as the subsidiary operating in the PRC had no assessable profits for the six months ended 30 June 2014.

6. DIVIDEND

During the six months ended 30 June 2014, the Company did not declare/propose any dividend for distribution.

On 11 June 2013, the Company recognised as a distribution and paid a dividend of HK$20,000,000 to its then shareholders of the Company and was settled by the net proceeds from the Listing.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2014 is based on the consolidated profit attributable to owners of the Company and the weighted average number of 200,000,000 ordinary shares in issue during the period.

The calculation of the basic earnings per share for the six months ended 30 June 2013 was based on the consolidated profit attributable to owners of the Company and the weighted average number of 150,000,000 ordinary shares in issue during the period which was calculated on the assumption that the group reorganisation has been effective on 1 January 2013, and has been adjusted to reflect the allotment of 9,999 ordinary shares of HK$0.01 each to CN Fashion on 25 January 2013 and the capitalisation issue of 149,990,000 ordinary shares of HK$0.01 each of the Company at par value on 11 July 2013.

No diluted earnings per share is presented as there are no potential ordinary shares during the period.

8. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group spent HK$6,638,000 (six months ended 30 June 2013: HK$2,313,000) on purchase of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

Retail sales are made at retail shops and concession counters in department stores. The department stores collect payments from the ultimate customers and then repay the balance after deducting the concessionaire commission to the Group. The credit period granted to department stores range from 30 to 60 days. Sales made at retail shops are settled by cash or credit cards. For wholesale, the Group allows a credit period range from 30 to 60 days to its trade customers. The following is an aging analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of each reporting period:

	At 30.6.2014 *HK$'000* **(unaudited)**	At 31.12.2013 *HK$'000* (audited)
Within 30 days	**29,514**	46,747
31 to 60 days	**7,352**	2,962
61 to 90 days	**3,445**	2,323
Over 90 days	**2,330**	2,741
	42,641	54,773

10. TRADE AND OTHER PAYABLES

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

	At 30.6.2014 *HK$'000* **(unaudited)**	At 31.12.2013 *HK$'000* (audited)
Within 30 days	**1,542**	3,718
31 to 60 days	**3,066**	6,614
61 to 90 days	**—**	2,176
Over 90 days	**230**	21
	4,838	12,529

The average credit period of trade payables is 30 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Retail Operations

Revenue of the Group's retail business for the six months ended 30 June 2014 (the "Period") was HK$268.9 million, representing a 16.2% increase from the HK$231.5 million of the even period of 2013. We had also managed to record 15.2% increase of comparable retail outlet sales during the Period (30 June 2013: 7.2%). This was mainly due to the enhanced effectiveness in converting sales by our experienced sales team.

Hong Kong

Hong Kong is still contributing a majority of sales as we have 65 retail outlets in the locality. The Group opened several themed concept stores and counters under the name of "JS & Family" and "SC & Family" respectively during the Period. These stores and counters are mainly serving the more health conscious parents for the better podiatric development of their kids. Ranges of new kids footwear and insole products were put to the market. As of 30 June 2014, there were 8 of these themed concept stores and counters newly opened and located in or near the residential communities of our targeted customers. In the meantime, we were able to record a same store sales growth of 16.9% in sales revenue for our Hong Kong operations. While expanding our operations in Hong Kong, we are also mindful of the rising costs of operations, including but not limited to rental and staff expenses. With our continued cost containment measures, we expect to manage our rental and staff expenses at a stable and reasonable level with respect to the sales made.

Taiwan

The Group increased the number of its retail outlets in Taiwan to 47 during the Period. Revenue generated from Taiwan had experienced an increase of 7.0% for the Period. We continue with our strategy in Taiwan to expand into the ladies footwear market by identifying and increasing our retail outlets in a number of suitable department stores in the latter half of the year. The management continued its measures on applying effective operating and financial control in our Taiwan operations to help boost the operating margin further in 2014.

Macau

The Group had maintained the scale of operations in Macau to reap the highest return with the current level of investment amid the robust and growing economy of Macau.

Mainland China

Due to the ever changing shopping habit of the Mainland consumers, the Group has applied a more cautious approach in its expansion into the Mainland market. We were relying more on collaboration with business partners and customers who were more knowledgeable about local and regional customer preferences and retail locations with suitable volumes of targeted customer traffic. Through these business partners and customers, we have introduced 4 points of sales of our products under the brands of "Clarks", "Josef Seibel", "Petite Jolie", and "the Flexx" in the cities of Shanghai, Hainan, Tangshan and Qinhuangdao as of 30 June 2014. The management expects to record growth in both number of point of sales and sales in the Mainland China in the foreseeable future.

Wholesale Operations

The Group's wholesale operations have been the other main segment of our overall operations. It complements our retail operations as our wholesale customers are able to maintain their performance in selling our footwear products. The management expects this segment to continue to contribute to the Group as we shall continue to put in a reasonable level of operating resources to maintain the current scale of operations.

Prospects

The Group is poised to maintain its growth momentum in its retail operations. This has been manifested in the satisfactory results shown in the same store sales growth percentages for the Period. We were increasing our presence by opening more retail outlets in strategic locations such that the number of retail outlets had increased from 112 as of 31 December 2013 to 115 as of 30 June 2014. We are keeping to our cautious yet promising expansion plan to open new retail outlets in the above operating locations including the Mainland China. In this regard, as part of our expansion plan, the Group is setting up subsidiary companies in Shanghai to better serve the operations in the Mainland. We expect that the above shall bode well for the prospect of the retail operations of the Group.

The management is confident that the Group's relentless efforts in pursuing excellence in product and service quality, developing a highly trained and motivated work force, and adopting proven and forward looking business strategies would enable the Group to continue to grow.

FINANCIAL REVIEW

Revenue

Revenue of the Group's business for the Period was HK$291.6 million, representing a 14.3% increase from the HK$255.2 million of the even period of 2013.

With regard to the sales of the major brands under exclusive distribution agreements for the Period compared with the even period of 2013, their respective sales had recorded positive performances. Sales of "Clarks" footwear products had increased by 15.0%. Sales of "Josef Seibel" footwear products had maintained its promising growth rate of 7.2%, which is an encouraging performance indicator that reaffirms our strategy in introducing and cultivating quality brands in our target markets. Sales of "The Flexx", "Petite Jolie" and "Yokono" footwear products had also maintained growth rates of 103.4%, 237.9% and 78.8% respectively.

As at 30 June 2014, the Group operated 65 retail outlets in Hong Kong, two retail outlets in Macau, one retail outlet in the Mainland China and 47 retail outlets in Taiwan. As at the even date of 2013, the Group operated 52 retail outlets in Hong Kong, two retail outlets in Macau and 45 retail outlets in Taiwan.

Cost of Goods Sold

Our cost of goods sold amounted to HK$104.4 million for the Period, representing 35.8% of revenue (30 June 2013: HK$87.1 million, representing 34.1% of revenue). The increase in cost of goods sold was mainly due to the increase in sales activities of the Group.

Gross Profit

Gross profit (Gross profit equals revenue minus cost of goods sold) of the Group for the Period was HK$187.3 million, representing an increase of 11.4% from HK$168.1 million of the even period of 2013. The increase was mainly due to the continuous strong demand for our in-season footwear products and our ability to time the market with the execution of appropriate discount policies for our products.

Gross Profit Margin

Gross profit margin of the Group for the Period was 64.2% (30 June 2013: 65.9%). The drop was mainly due to deeper discount rates and more frequent promotional activities were employed in light of the weak consumer sentiment as compared to that of even period of 2013.

Staff Costs

Staff costs for the Period were HK$55.5 million, representing 19.0% of revenue (30 June 2013: HK$48.2 million, representing 18.9% of revenue). The increase in overall staff costs was mainly due to the increase in number of staff of the Group and the general increase of commissions, as part of salaries, which increased in line with sales made during the Period.

Depreciation

Depreciation accounted for 2.4% of revenue for the Period (30 June 2013: 2.2% of revenue).

Retail Outlet Rentals and Related Expenses

Our retail outlet rentals and related expenses for the Period amounted to HK$82.0 million, representing 28.1% of revenue (30 June 2013: HK$78.1 million, representing 30.6% of revenue). The decrease in the percentage to the revenue was mainly due to the reduction in the number of our self-rented shops during the Period. Our concession fees for the Period amounted to HK$29.4 million (30 June 2013: HK$25.4 million). The increase was mainly due to the corresponding increase in the sales made through these concessions, based on which part of the fees were charged.

Finance Costs

Our finance costs amounted to HK$0.8 million for the Period (30 June 2013: HK$0.8 million). The finance costs were mainly interest expenses incurred on the mortgage facilities for our office premises at Taiwan and trade related financing facilities with banks. The effective interest rates on the Group's borrowings were ranged from 1.7% to 3.2%.

Listing Expenses

The Company was successfully listed on 11 July 2013. The listing expenses of approximately HK$4.9 million were recognised as expenses for the year ended 31 December 2013, of which HK$2.9 million had been recorded as expenses in the period ended 30 June 2013. There was no listing expenses incurred for the Period.

Profit Before Tax

As a result of the foregoing, our profit before tax increased by HK$2.3 million, or 20.7%, to HK$13.4 million for the Period, from HK$11.1 million for the six months ended 30 June 2013.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2014, the Group had bank deposits and cash amounting to HK$75.1 million (31 December 2013: HK$89.9 million), representing a decrease of 16.5% from 31 December 2013. Most bank deposits and cash were denominated in Hong Kong dollars.

As at 30 June 2014, the Group had short term bank borrowings amounting to HK$80.9 million (31 December 2013: HK$104.0 million), representing a decrease of 22.2% from 31 December 2013. As at 30 June 2014, the Group had long term bank borrowings, comprising mainly mortgage for our office premises at Taiwan, amounting to HK$13.1 million (31 December 2013: HK$14.1 million), representing a decrease of 7.1% from 31 December 2013. The amount of unutilised bank facilities as at 30 June 2014 were approximately HK$138.9 million (31 December 2013: HK$118.4 million).

Foreign Currency Risks

The Group's sales and purchases for the Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, New Taiwan dollars, Euros and US dollars. The Renminbi is not a freely convertible currency. The currency market for Macau Pataca is relatively small and undeveloped. Therefore, our ability to convert large amounts of Macau Pataca into Hong Kong dollars over a relatively short period may be limited. The exchange of New Taiwan dollars is restricted and governed by various government rules regarding the application of outward remittance. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may have impact on the Group's results.

HUMAN RESOURCES

As at 30 June 2014, the Group employed approximately 449 employees (31 December 2013: 422). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

During the Period, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, have been conducted to improve the quality of sales services.

DIVIDENDS

On 11 June 2013, the Company recognised as a distribution and paid a dividend of HK$20,000,000 to its then shareholders of the Company and was settled by the net proceeds from the Listing.

The Board has resolved not to declare an interim dividend by the Company on the profits attributable to the shareholders recorded for the Period.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules during the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") (Appendix 10 to the Listing Rules) as its own code of conduct regarding directors' dealings in the Company's securities. Following specific enquiry made to the directors, each of them has confirmed their compliance with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference, in accordance with Appendix 14 to the Listing Rules, on 11 June 2013. The primary duties of the audit committee are, amongst other things, to review and supervise the financial reporting processes and internal control system of the Company.

The audit committee has reviewed with management the principal accounting policies adopted by the Group and discussed internal controls and financial reporting matters including a review of the interim financial statements for the Period.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Company's directors as at the date of this announcement, the Company has maintained the prescribed minimum public float under the Listing Rules.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement of the Company has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.s-culture.com). The 2014 interim report of the Company, containing all the information required by the Listing Rules, will be dispatched to the shareholders of the Company and published on the above websites in due course.

APPRECIATION

The Board would like to thank the management of the Group and all our staff for their hard work and dedication, as well as its shareholders, business partners and associates, bankers and auditors for their support to the Group.

By order of the Board
S. Culture International Holdings Limited
Chong Hot Hoi
Chairman

Hong Kong, 12 August 2014

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