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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

		2015	2014
Revenue	*HK$'000*	**561,028**	590,539
Gross profit	*HK$'000*	**347,494**	371,703
(Loss) profit before taxation	*HK$'000*	**(16,360)**	12,121
(Loss) profit attributable to owners of the Company	*HK$'000*	**(16,373)**	9,035
Gross profit margin	*%*	**61.9**	62.9
(Loss) profit margin attributable to owners of the Company	*%*	**(2.9)**	1.5
(Loss) earnings per share — basic	*HK$*	**(0.08)**	0.05

The board of directors (the "Board") of S. Culture International Holdings Limited (the "Company" or "S. Culture") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures for the year 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Revenue	3	**561,028**	590,539
Cost of goods sold		**(213,534)**	(218,836)
Gross profit		**347,494**	371,703
Other income		**1,698**	1,949
Other gains and losses		**(1,846)**	(453)
Selling and distribution costs		**(220,848)**	(212,966)
Administrative expenses		**(139,798)**	(146,070)
Finance costs		**(3,060)**	(2,042)
(Loss) profit before taxation	4	**(16,360)**	12,121
Taxation	5	**(13)**	(3,086)
(Loss) profit for the year		**(16,373)**	9,035
Other comprehensive expense for the year			
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation		**(805)**	(2,792)
Total comprehensive (expense) income for the year		**(17,178)**	6,243
(Loss) profit for the year attributable to owners of the Company		**(16,373)**	9,035
Total comprehensive (expense) income attributable to owners of the Company		**(17,178)**	6,243
(Loss) earnings per share — basic (HK$)	7	**(0.08)**	0.05

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**52,066**	50,351
Investment properties		**764**	776
Deferred tax assets		**6,773**	6,246
Deposits paid for acquisition of property, plant and equipment		**349**	928
Rental deposits		**19,216**	20,840
		79,168	79,141
Current assets			
Inventories		**251,713**	187,245
Trade and other receivables	8	**87,719**	68,072
Derivative financial instruments		**141**	384
Taxation recoverable		**2,896**	1,658
Bank balances and cash		**32,647**	70,801
		375,116	328,160
Current liabilities			
Trade and other payables	9	**26,992**	28,627
Derivative financial instruments		**—**	370
Taxation payable		**268**	519
Obligation under a finance lease — due within one year		**155**	296
Bank borrowings — due within one year		**199,103**	126,214
		226,518	156,026
Net current assets		**148,598**	172,134
Total assets less current liabilities		**227,766**	251,275
Non-current liabilities			
Obligation under a finance lease — due after one year		**—**	155
Bank borrowings — due after one year		**10,189**	11,765
		10,189	11,920
Net assets		**217,577**	239,355
Capital and reserves			
Share capital		**2,000**	2,000
Reserves		**215,577**	237,355
Total equity		**217,577**	239,355

NOTES

1. GENERAL

The Company is a listed public company incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company while its subsidiaries are principally engaged in the trading of footwear products.

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the above amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[2]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[2]
Amendments to HKAS 1	Disclosure initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[2]

[1] Effective for annual periods beginning on or after 1 January 2018.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's financial assets and financial liabilities and HKFRS 15 may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detail analysis. The application of other new and revised HKFRSs will have no material impact on the 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 conforming 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 year ended 31 December 2015

	Retail sales	**Wholesale**	**Segment total**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
External sales	**513,124**	**47,904**	**561,028**	**—**	**561,028**
Inter-segment sales	**—**	**246,811**	**246,811**	**(246,811)**	**—**
Segment revenue	**513,124**	**294,715**	**807,839**	**(246,811)**	**561,028**
Segment results	**(10,755)**	**3,909**	**(6,846)**	**(2,454)**	**(9,300)**
Unallocated income					**1,639**
Unallocated expenses					**(5,639)**
Finance costs					**(3,060)**
Loss before taxation					**(16,360)**

For the year ended 31 December 2014

	Retail sales	Wholesale	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	541,114	49,425	590,539	—	590,539
Inter-segment sales	—	247,791	247,791	(247,791)	—
Segment revenue	541,114	297,216	838,330	(247,791)	590,539
Segment results	14,055	6,260	20,315	(1,844)	18,471
Unallocated income					1,718
Unallocated expenses					(6,026)
Finance costs					(2,042)
Profit before taxation					12,121

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 (loss) profit earned from each segment without allocation of central administration costs, fair value gain on derivative financial instruments, 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.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the respective group entities' operations:

	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**436,960**	467,526
Taiwan	**105,057**	106,855
Macau	**13,184**	13,414
Mainland China	**5,827**	2,744
	561,028	590,539

4. (LOSS) PROFIT BEFORE TAXATION

	2015	2014
	HK$'000	*HK$'000*
(Loss) profit before taxation has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**108,922**	113,964
Auditors' remuneration	**1,652**	1,719
Cost of inventories recognised as expenses	**213,534**	218,836
Depreciation of property, plant and equipment	**13,137**	14,212
Depreciation of investment properties	**12**	13
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**4,864**	3,530
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**105,465**	100,990
— contingent rent *(note)*	**4,406**	1,694
	109,871	102,684
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**39,530**	35,729
— contingent rent *(note)*	**25,714**	27,321
	65,244	63,050
	179,979	169,264
Interest income	**(577)**	(778)
Net exchange loss	**1,875**	482

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

5. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**329**	3,560
Macau Complementary Tax	**268**	282
	597	3,842
(Over)underprovision in prior years	**(53)**	121
Deferred taxation	**(531)**	(877)
	13	3,086

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, have no assessable profits for both years.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profit for the year.

Taiwan income tax is calculated at 17% (2014: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods Company Limited in Taiwan for the year. No provision for Taiwan income tax has been made in the consolidated financial statements as the branch operating in Taiwan has no assessable profits for both years.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (2014: 9% to 12%) on the estimated assessable profit for the year.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2014: 25%). No provision for PRC Enterprise Income Tax has been made in the consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both years.

6. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2014 Final dividend — HK2.3 cents		
(2014: 2013 Final dividend — HK4 cents) per share	**4,600**	8,000

No dividend was proposed for ordinary shareholders of the Company during the year ended 31 December 2015, nor have any dividend been proposed since the end of the reporting period.

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the year ended 31 December 2015 is based on the loss for the year (2014: profit for the year) attributable to owners of the Company and the weighted average number of 200,000,000 (2014: 200,000,000) ordinary shares in issue during the year.

No diluted (loss) earnings per share is presented as there are no potential ordinary shares during both years.

8. 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:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**54,634**	43,667
31 to 60 days	**3,002**	3,294
61 to 90 days	**2,761**	2,503
Over 90 days	**2,747**	2,350
	63,144	51,814

9. TRADE AND OTHER PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**6,795**	5,819
31 to 60 days	**—**	32
61 to 90 days	**15**	3
Over 90 days	**53**	302
	6,863	6,156

The average credit period of trade payables is 30 days.

CHAIRMAN'S STATEMENT

I present to you the annual results of S. Culture and its subsidiaries for the year ended 31 December 2015.

Hong Kong retail sales suffered the worst annual decline last year since 2002, driven by a fall in the number of big spending tourists from the Mainland and weak consumer spending as the recent statistics released from various sources had proven. Apart from the continued slowdown in inbound tourism, the uncertain economic outlook and asset market corrections also played a part in denting local consumption sentiment as cited in a government statement.

Visitor arrivals to Hong Kong fell 2.5 percent in 2015 to 59.31 million, the first decline since 2003 when individual visit scheme for Mainland Chinese was first introduced. Adding to the burden of retailers was Hong Kong's comparatively high rents and wages while fewer Mainland tourists had come to the city shopping.

The strong Hong Kong dollar, which is pegged to the U.S. dollar, had also aggravated the situation as it had made the city an expensive destination compared with other proximate but more exotic tourist destinations in the region.

Against the above background, our retail segment in Hong Kong was much affected and thus the Group as a whole had recorded a same store sales decline of approximately 6.6% and a net loss of approximately HK$16.4 million for the year.

The net loss resulted was also contributed by some of our newly added retail outlets during 2014 and in the first half of 2015 as they were yet to break-even under the unfavorable atmosphere of the retail market during the year.

OUTLOOK

Hong Kong is bracing for greater economic challenges as the prospective interest rate increase shall induce capital outflows that could pressure Hong Kong as the Asian financial hub at a time when China's economy is growing at its slowest pace in the past 25 years.

Looking ahead, the near-term outlook for retail sales will still be constrained by the weak performance of inbound tourism as cited by the government. We would also watch closely the impact from dimmer global economic prospects amid U.S. interest rate normalisation.

To this end, we had been imposing measures and applying more flexible operating tactics in order to minimize such effects to our operations as a whole. In the meantime, while there had been signs that the general operating costs, such as market rental level, were declining, we were still cautious about the other operating costs such as staffing and utilities as their nature was downward sticky. Again, we will continue to monitor the relevant economic conditions and the ever-changing retail landscape including costs pressure and to do our utmost to contain those costs to a reasonable level.

Despite the above, we still remain positive and maintain our belief in our business. While we are still experiencing unfavorable market drivers in the local retail market, we are still confident that the Group would be poised to be highly attentive to the changes in the retail market and apply the appropriate strategies to tackle the existing challenges and keep our pace for steady development, especially in the Mainland. We still hold the same view about Mainland consumer market and continue with our strategy to increase our presence in the Mainland. We have now expanded into cities of Shanghai, Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou, Harbin, Luoyang, Dandong and Beijing through collaborating with the local retailers. We are now operating four self-operated stores with our well received brands in the Mainland such as "Josef Seibel" and "The Flexx". We expect to increase our market share in the Mainland by utilizing both on- and off-line channels whichever is more effective in the case. As part of our holistic strategic plan in the long run, the Group would continue to capitalise on the Group's core competence, honor the core values of S. Culture and explore new opportunities to achieve sustainability and deliver optimal return to our shareholders.

Last but not the least, the Board is highly aware of the value of good corporate governance. The Board follows closely the latest and expected standards of corporate ethics and governance. In addition, we also observe our corporate social responsibilities by addressing the needs of our staff and contributing to the community. Both the management and employees had enjoyed very much the charitable and other community contributing events during the year.

In view of the Group's operating results, the Board did not recommend the payment of a final dividend in respect of the year ended 31 December 2015. Despite the above, we will strive to further enhance the Company's performance and optimise the return for our shareholders.

Finally, I would like to extend, on S. Culture's behalf, my heartfelt gratitude to the shareholders of the Company, members of the Board, management and staff of the Group and business associates for their continuing support to our Company.

Chong Hot Hoi
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Retail Operations

Revenue of the Group's retail business for the year ended 31 December 2015 (the "Year") was HK$513.1 million, representing a 5.2% decrease from HK$541.1 million for the even year of 2014. We had also recorded a 6.6% decrease in comparable retail outlet sales during the Year (2014: 9.5% increase). This was mainly due to the prolonged sluggishness of the consumer market resulting from the declining spending sentiments of both inbound tourists and local citizens under the prevailing economic and social conditions, which was manifested in the latest statistics of the retail sector released by the government. Our retail operations were thus affected further in the second half of 2015 by a number of unfavorable factors including but not limited to the slowing economic growth of Mainland China, the unexpected appreciation of Hong Kong dollars against Renminbi, the impact of high volatility in the local and regional stock markets, which further dampened the spending sentiments of general consumers.

Hong Kong

Hong Kong is still contributing a majority of sales to the Group as we have 79 retail outlets in the locality. In light of the weakening general retail market, we had experienced a same store sales decline of approximately 8.0% in retail revenue from Hong Kong for the Year. During the Year, the operating costs in Hong Kong, including but not limited to staff costs and rental expenses, were stagnated at a high level in general and eroded profit margins of retailers. To enhance our efficiency and competitiveness, we suspended our salary increment plan in 2015 and continued to assess and rationalise our retail network in Hong Kong. While we were continuing to monitor the performance and productivity of each individual retail outlet on a regular basis and to close those under-performing retail outlets, we strategically relocated certain retail outlets to other prime shopping locations with lower rentals and opened new short-term lease promotion outlets. As at 31 December 2015, we had added 10 short-term lease promotion outlets in Hong Kong. The purpose of these short-term retail outlets were mainly to inject more flexibility into our sales platform to enhance better reach to our target customers and to ride on the declining trend of rentals in certain shopping areas. At this juncture of challenging times, we continued to pursue a more precise yet flexible sales tactics and stringent measures to contain our operating expenses at a stable and reasonable level with respect to the sales made and respond promptly to the ever-changing retail environment.

Taiwan

Taiwan economy is highly dependent on the international trade. Despite the export-reliant economy of Taiwan had grown at the slowest rate since 2010, we, excluding the effect of translating Taiwan dollars into Hong Kong dollars, charted a year-on-year growth rate of approximately 3.6% in revenue of our Taiwan operation for the Year. The Group increased the number of its retail outlets in Taiwan to 50 during the Year. We continued our Taiwan expansion strategy by identifying and increasing our retail outlets and counters in suitable department stores in 2015. In the past year, while we were increasing our sales presence in Taiwan, we were mindful of the ever-increasing costs of operations and were constantly reviewing and evaluating the effectiveness of our strategies. We also revamped our warehousing logistic arrangement and infrastructure to facilitate the effective and efficient logistics of products movement throughout Taiwan. The management continued with its flexible operating tactics and applied appropriate financial controls and measures in our Taiwan operation so as to achieve operational goals.

Macau

The Group had maintained the scale of operations in Macau to reap the highest return with the current level of investment amid the current level of economic conditions experienced in Macau. We maintained a comparable scale of retail network in Macau with two retail outlets in operation as at 31 December 2015.

Mainland China

Due to the slowdown of the Mainland China economy, which anti-graft measures and perpetuating domestic economic constraints had played a part, Mainland retailers continued facing a challenging environment in the China market, which was further aggravated by the ever-changing shopping habits of Mainland customers. However, we stay positive about the growth of Mainland China in the foreseeable future and remain cautious towards our expansion in Mainland market. We continued to implement the strategies steered by the Board to strengthen our business presence in the Mainland market. We continued to open our concession counters under the brands of "Josef Seibel" and "The Flexx" and actively collaborate with our local and experienced business partners to gradually expand our retail network and reach our target customers in the cities of Mainland China. As at 31 December 2015, the Group had four (2014: one) retail outlets and ten (2014: five) points of sales of our products under the brands of "Clarks", "Josef Seibel", "Petite Jolie" and "The Flexx" in the cities of Shanghai, Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou, Harbin, Luoyang, Dandong and Beijing. The management believed the business had been in the right course with expectation to record growth in both number of points of sales and sales in Mainland China in future.

Wholesale Operations

The Group's wholesale operations represent the other main segment of our overall operations. It complements our retail operations as our wholesale customers are helping our brands to further the reach to customers. 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

There is a general understanding that the cyclic deterioration in the macro-economic environment and the ever-changing consumer behaviors would continue to exert pressure on general retailers under the retail atmosphere of weak consumer sentiments. We foresee enormous challenges ahead for the traditional brick and mortar retail sector in our area of operations.

Although we hold a conservative outlook towards the Hong Kong retail market in the short run, we are working meticulously to execute our forward-looking strategies and actions to improve our sales and performance. In this regard, the management will continue to rationalise its retail network and to monitor its costs of operations. The Group will cautiously identify suitable target locations and cities to expand our scale of operations in the Mainland China. In addition to physical retail outlets, the Group will also explore new business opportunities and initiatives by utilizing online sales platforms and marketing channels to increase our market share in the Mainland China. The embarking on omni-retailing channel could help us to unearth potential opportunities and growth areas there.

Whenever there is a challenge, we see an opportunity. Hong Kong retail sector is undergoing a structural shift. Large and luxury retailers are reshuffling their retail networks which shall release more retail space to the market. This in turn shall press the landlords to lower their asking rents in the medium term. Secondly, more shopping malls are looking forward to diversify their tenant compositions and offer more flexible leasing terms to mid-range retailers. We will keep an eye on the economic indicators and monitor changes to the retail market so as to revisit our existing business strategies to maximize our return.

While the retail sector is experiencing a prolonged and secular downturn last year, we believe that the current sluggishness of the retail sector shall bottom out. We are confident that the Group's solid foundation in its abundance of experience and exclusivity of branded footwear distributorships, dedication in pursuing excellence in product and service quality and relentless execution of sustainable business development strategies shall guide the Group to cut through the challenges and seize the opportunities during market recovery in the foreseeable future.

FINANCIAL REVIEW

Revenue

Revenue of the Group's business for the Year was HK$561.0 million, representing a 5.0% decrease from HK$590.5 million for the even year of 2014.

With regard to the sales of the major brands under exclusive distribution agreements for the Year compared with the even year of 2014, sales of "Clarks" footwear products had decreased by 6.8%. Sales of "Josef Seibel" footwear products had decreased by 6.0% while sales of "The Flexx" and "Petite Jolie" footwear products had recorded growth rates of 19.4% and 43.4% respectively. The growth in sales of "The Flexx" and "Petite Jolie" is an encouraging performance indicator that reaffirms our strategy in introducing and cultivating quality brands in our target market.

As at 31 December 2015, the Group operated 79 retail outlets in Hong Kong, two retail outlets in Macau, four retail outlets in Mainland China, and 50 retail outlets in Taiwan. As at the even date of 2014, the Group operated 70 retail outlets in Hong Kong, two retail outlets in Macau, one retail outlet in Mainland China and 49 retail outlets in Taiwan.

Cost of Goods Sold

Our cost of goods sold amounted to HK$213.5 million for the Year, representing 38.1% of revenue (2014: HK$218.8 million, representing 37.1% of revenue). The decrease in cost of goods sold was mainly due to the decrease in sales activities of the Group resulted from the negative retail sentiment.

Gross Profit

Gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Year was HK$347.5 million, representing a decrease of 6.5% from HK$371.7 million of 2014. Gross profit margin of the Group for the Year was 61.9% (2014: 62.9%). There was a drop of the gross profit margin as we had offered promotions and discounts to maintain market shares especially in the fourth quarter of 2015. The opening of short term promotion outlets in the fourth quarter of 2015 had also driven down our gross profit margin.

Depreciation

Depreciation accounted for 2.3% of revenue for the Year (2014: 2.4%).

Staff Costs

Staff costs for the Year were HK$108.9 million, representing 19.4% of revenue (2014: HK$114.0 million, representing 19.3% of revenue). The decrease in overall staff costs was mainly due to the suspension of salary increment plan in 2015 and the general decrease in commissions, as part of salaries, which decreased with sales targets determined and made during the Year.

Retail Outlet Rentals and Related Expenses

Our retail outlet rentals and related expenses for the Year amounted to HK$180.0 million, representing 32.1% of revenue (2014: HK$169.3 million, representing 28.7% of revenue). The increase in the retail outlet rentals and related expenses was mainly due to the increase in the number of our retail outlets during the Year. Our concession fees for the Year amounted to HK$65.2 million (2014: HK$63.1 million). Such 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 for the Year amounted to HK$3.1 million (2014: HK$2.0 million). The finance costs were mainly interest expenses incurred on the mortgage facilities for our office premises in Taiwan and trade related financing facilities with banks. The effective interest rates on the Group's borrowings ranged from 1.5% to 2.5% (2014: 1.5% to 3.0%).

(Loss) Profit Before Tax

As a result of the foregoing, our loss before tax for the Year was HK$16.4 million as compared to profit before tax of HK$12.1 million for the year ended 31 December 2014.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 31 December 2015, the Group had bank deposits and cash amounting to HK$32.6 million (2014: HK$70.8 million), representing a decrease of 54.0% from 31 December 2014. Most bank deposits and cash were denominated in Hong Kong dollars.

As at 31 December 2015, the Group had short term bank borrowings amounting to HK$199.1 million (2014: HK$126.2 million), representing an increase of 57.8% from 31 December 2014. As at 31 December 2015, the Group had long term bank borrowings, comprising mainly mortgage for our office premises in Taiwan, amounting to HK$10.2 million (2014: HK$11.8 million), representing a decrease of 13.6% from 31 December 2014.

Foreign Currency Risk

The Group's sales and purchases for the Year 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 an impact on the Group's results.

Human Resources

As at 31 December 2015, the Group employed approximately 481 employees (2014: 476). Remuneration packages are generally structured by reference to market terms and individual qualifications and experience.

During the Year, 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.

Share Information

The average closing price of the Company's shares during the Year was HK$1.79, with the highest closing price of HK$2.45 achieved on 22 June 2015 and the lowest closing price of HK$1.22 achieved on 8 July 2015.

Dividends

On 8 June 2015, the Company recognised as a distribution and paid a final dividend of HK2.3 cents per share in respect of the year ended 31 December 2014, representing a total of approximately HK$4.6 million.

The Board has resolved not to recommend the payment of a final dividend for the Year.

Total Shareholder Return

Total shareholder return ("TSR") is calculated based on capital gains and dividends of the shares. The Company had a TSR of approximately 17.7% for the Year.

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 Year.

CORPORATE GOVERNANCE PRACTICES

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company compiled with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") during the Year.

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") as contained in 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 Year.

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.

ANNUAL GENERAL MEETING

The 2016 annual general meeting of the Company is scheduled to be held on 24 May 2016, Tuesday (the "2016 AGM"). A notice convening the 2016 AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 20 May 2016, Friday to 24 May 2016, Tuesday (both days inclusive) for the purpose of determining the right to attend and vote at the 2016 AGM. In order to be entitled to attend and vote at the 2016 AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 May 2016, Thursday.

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 risk management and internal control systems 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 annual financial statements for the Year.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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, 17 March 2016

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.