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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 Rule 13.09 of the Listing Rules and Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

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 five months ended 31 May 2016 and information currently available to the Board, the Group expects to record a significantly higher net loss for the six months ended 30 June 2016 as compared to that for the even period in 2015.

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 Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The Board wishes to inform the shareholders of the Company and potential investors that, based on our preliminary review on the unaudited consolidated management accounts of the Group (the "**Management Accounts**") for the five months ended 31 May 2016 and the expectation of performance for June 2016, the Group expects to record a significantly higher net loss for the six months ended 30 June 2016 as compared to that for the even period in 2015. This assessment is subject to changes in market conditions and further review by Management when the Management Accounts for the six months ended 30 June 2016 are available.

The Board believes that the significantly high unaudited consolidated net loss for the six months ended 30 June 2016 is mainly attributable to the prolongation of the sluggish consumer market in Hong Kong as revealed in the latest retail statistics, which were largely due to the continued slowdown in inbound tourism and the more cautious local consumer sentiment amid the uncertain economic conditions in the region and the world. The negative

effects of the above factors are further compounded by widespread discounting and promotion activities to maintain market shares which had further squeezed operating margins. Against the deteriorating retail market conditions and margin erosions in the footwear market, the Group recorded a same store sales decline of approximately 2.4% for the six months ended 30 June 2016.

Under this difficult economic and market conditions, the Group remained cautious in rationalizing the extant mix and network of our retail outlets against the high costs of operations. The Group would monitor the impact of the above-mentioned operating factors on an on-going basis and pursue appropriate management tactics to optimise our operations in the areas of sales and inventory and supply chain management to maintain healthy presence in our operating territories. The Group would also continue to devote unrelenting effort on stringent cost containment measures to enhance our operation efficiency and to remain competitive in the market.

At this time, it is expected that the full-year net loss will be higher than in 2015, unless market conditions improve considerably.

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 six months ended 30 June 2016 may be different from what is disclosed in this announcement.

Shareholders and potential investors are advised to read carefully the interim results announcement of the Company for the six months ended 30 June 2016 which is expected to publish before end of August 2016.

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
S. Culture International Holdings Limited
Chow Wing Hang, John
Company Secretary

Hong Kong, 8 July 2016

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.