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 2018

FINANCIAL HIGHLIGHTS

		For the six months ended 30 June	
		2018	2017 (Restated)
Revenue	*HK$'000*	**176,528**	243,317
Gross profit	*HK$'000*	**103,125**	133,318
Loss before taxation	*HK$'000*	**(354)**	(21,077)
Loss attributable to owners of the Company	*HK$'000*	**(418)**	(21,172)
Gross profit margin	*%*	**58.4**	54.8
Loss margin attributable to owners of the Company	*%*	**(0.2)**	(8.7)
Loss per share — basic	*HK$*	**(0.002)**	(0.106)

	As at	
	30 June 2018	31 December 2017
Current ratio	**3.0 times**	1.6 times
Gearing ratio (total debt to total equity)	**20.5%**	83.7%
Average trade receivables turnover period	**32.8 days**	39.6 days
Average trade payables turnover period	**21.6 days**	5.4 days
Average inventory turnover period	**359.9 days**	300.7 days

The board of directors (the "Board") of S. Culture International Holdings Limited (the "Company") announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 together with comparative figures for the corresponding period in 2017, and the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018 together with audited comparative figures as at 31 December 2017. 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 2018

	Notes	**Six months ended 30.6.2018** ***HK$'000*** **(unaudited)**	30.6.2017 *HK$'000* (unaudited and restated)
Revenue	4	**176,528**	243,317
Cost of goods sold		**(73,403)**	(109,999)
Gross profit		**103,125**	133,318
Other income		**677**	669
Other gains and losses	5	**8,125**	4,159
Selling and distribution costs		**(77,404)**	(115,852)
Administrative expenses		**(33,928)**	(41,844)
Finance costs		**(949)**	(1,527)
Loss before taxation	6	**(354)**	(21,077)
Taxation	7	**(64)**	(95)
Loss for the period		**(418)**	(21,172)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**316**	2,626
Total comprehensive expense for the period		**(102)**	(18,546)
Loss per share — basic *(HK$)*	9	**(0.002)**	(0.106)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	**At 30.6.2018**	At 31.12.2017
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Property, plant and equipment		**11,990**	38,425
Investment properties		**29,600**	29,000
Deferred tax assets		**10,116**	10,116
Deposit and prepayment for a life insurance policy		**1,870**	1,868
Rental deposits		**8,753**	6,136
Deposit for acquisition of subsidiaries		**10,000**	—
		72,329	85,545
Current assets			
Inventories		**136,200**	153,293
Trade and other receivables	10	**32,837**	72,163
Taxation recoverable		**2**	313
Bank balances and cash		**52,521**	24,287
		221,560	250,056
Current liabilities			
Trade and other payables	11	**28,167**	26,032
Amount due to a director		**—**	3,800
Taxation payable		**131**	485
Bank borrowings — due within one year		**45,106**	130,215
		73,404	160,532
Net current assets		**148,156**	89,524
Total assets less current liabilities		**220,485**	175,069
Non-current liabilities			
Bank borrowings — due after one year		**—**	8,842
Net assets		**220,485**	166,227
Capital and reserves			
Share capital		**2,140**	2,000
Reserves		**218,345**	164,227
Total equity		**220,485**	166,227

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 on The Stock Exchange of Hong Kong Limited.

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 for certain financial instruments and investment properties, which are measured at fair values.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRS"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) — Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

3. SUMMARY OF THE IMPACT OF CHANGE IN AN ACCOUNTING POLICY

In the preparation of consolidated financial statements for the year ended 31 December 2017, the Group changed its accounting policy with respect to the measurement of investment properties. Prior to this change in policy, the Group applied the cost model, under which investment properties were stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. The Group now applies the fair value model, under which investment properties are stated at fair value and recognises the fair value changes to profit or loss in which they arise.

Accordingly, the comparative figures presented in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2017 have been restated.

The effects of the change in the Group's accounting policy described above on the results for the preceding period by line items presented in the condensed consolidated statement of profit or loss and other comprehensive income are as follows:

	Six months ended 30.6.2017 *HK$'000*
Impact on loss for the period	
Decrease in administration expenses	6
Increase in other gains and losses	3,700
Net decrease in loss for the period	3,706
Decrease in loss for the period attributable to owners of the Company	3,706
Decrease in total comprehensive expense for the period attributable to owners of the Company	3,706
Impact on basic loss per share	
Basic loss per shares before adjustment	(0.124)
Adjustments arising from change in the accounting policy	0.018
Reported basic loss per share	(0.106)

Certain comparative figures have also been reclassified to conform with the current period's presentation.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents amounts received or receivable from trading of footwear products, which is recognised at a point in time.

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

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Hong Kong	**161,298**	182,987
Taiwan	**9,621**	47,568
Macau	**5,609**	6,787
Mainland China	**—**	5,975
	176,528	243,317

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 with 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 2018 (unaudited)

	Retail sales	**Wholesale**	**Segment total**	**Elimination**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
REVENUE					
External sales	**155,645**	**20,883**	**176,528**	**—**	**176,528**
Inter-segment sales	**—**	**65,829**	**65,829**	**(65,829)**	**—**
Segment revenue	**155,645**	**86,712**	**242,357**	**(65,829)**	**176,528**
Segment results	**1,069**	**(3,435)**	**(2,366)**	**—**	**(2,366)**
Unallocated income					**8,645**
Unallocated expenses					**(5,684)**
Finance costs					**(949)**
Loss before taxation					**(354)**

For the six months ended 30 June 2017 (unaudited and restated)

	Retail sales	Wholesale	Segment total	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
External sales	226,226	17,091	243,317	—	243,317
Inter-segment sales	—	99,662	99,662	(99,662)	—
Segment revenue	226,226	116,753	342,979	(99,662)	243,317
Segment results	(17,855)	541	(17,314)	(2,067)	(19,381)
Unallocated income					4,175
Unallocated expenses					(4,344)
Finance costs					(1,527)
Loss before taxation					(21,077)

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 from each segment without allocation of central administration costs, change in fair value of investment properties, rental income, interest income, gain on disposal of property, plant and equipment, change in fair value, imputed interest income and premium charges on a life insurance policy and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gain on disposal of property, plant and equipment	**7,568**	—
Change in fair value of investment properties	**600**	3,700
Net exchange (loss) gain	**(43)**	459
	8,125	4,159

6. LOSS BEFORE TAXATION

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited and restated)
Loss before taxation has been arrived at after charging (crediting):		
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	**1,700**	1,444
— retail stores (including in selling and distribution costs)		
— minimum lease payments	**27,370**	47,175
— contingent rent *(note)*	**1,727**	3,766
	29,097	50,941
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	**14,870**	17,818
— contingent rent *(note)*	**1,091**	8,121
	15,961	25,939
	46,758	78,324
Depreciation of property, plant and equipment	**1,725**	4,804
Premium charges on a life insurance policy	**13**	13
Staff costs, including directors' emoluments	**43,033**	49,635
Rental income	**(458)**	(458)
Interest income	**(3)**	(1)
Imputed interest income from deposit and prepayment for a life insurance policy	**(16)**	(16)

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.

7. TAXATION

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**—**	1
Macau Complementary Tax	**64**	60
People's Republic of China ("PRC") Enterprise Income Tax	**—**	337
	64	398
Overprovision in prior year		
Macau complementary tax	**—**	(68)
Deferred taxation	**—**	(235)
	64	95

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 periods.

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2017: 16.5%) on the estimated assessable profit for the period. No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements for the six months ended 30 June 2018 as the subsidiaries operating in Hong Kong have no assessable profit for the period.

Taiwan income tax is calculated at 17% (six months ended 30 June 2017: 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 branch operating in Taiwan has no assessable profits for both periods.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (six months ended 30 June 2017: 9% to 12%) on the estimated assessable profit for the period.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2017: 25%). No provision for PRC Enterprise Income Tax has been made in the condensed consolidated financial statements as the subsidiaries operating in the PRC had no assessable profits for the six months ended 30 June 2018.

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2017: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2018 is based on the loss for the period attributable to owners of the Company and the weighted average number of 209,436,464 (six months ended 30 June 2017: 200,000,000) ordinary shares in issue during the period.

No diluted loss per share is presented as there are no potential ordinary shares during both periods.

10. 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 the reporting period:

	At 30.6.2018	At 31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**7,765**	35,055
31 to 60 days	**2,692**	8,916
61 to 90 days	**814**	1,892
Over 90 days	**4,504**	1,736
	15,775	47,599

11. TRADE AND OTHER PAYABLES

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

	At 30.6.2018	At 31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 30 days	**3,891**	2,154
31 to 60 days	**7,948**	1,670
61 to 90 days	**1,637**	—
Over 90 days	**42**	15
	13,518	3,839

The average credit period of trade payables is 30 days.

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 19 January 2018, a direct wholly-owned subsidiary of the Company, Shang Ying Capital Limited, entered into a sale and purchase agreement with independent third parties to acquire 51% equity interests each in DSG Asset Management (Cayman) Company Limited ("DSG Holdings (Cayman)") and DSG Finance Holdings (Hong Kong) Limited ("DSG Holdings (HK)"), respectively, at a total cash consideration of HK$40,800,000, which is subject to adjustment based on acquirees' aggregated net profits as shown in their audited consolidated financial statements for the year ending 31 December 2018. DSG Holdings (Cayman) is an investment fund manager and DSG Holdings (HK) is engaged in provision of financial services. As at 30 June 2018, a deposit of HK$10,000,000 was paid for the acquisitions. The acquisitions were completed on 27 July 2018. Details of the acquisitions were disclosed in the announcement of the Company dated 19 January 2018 and 27 July 2018, respectively.

(b) On 1 August 2018, an indirect wholly owned subsidiary of the Company, Shang Ying Health Holdings Limited ("SY Health"), entered into a loan agreement with Century Health Holdings Co., Limited ("Century Health"), pursuant to which SY Health has agreed to grant a secured loan to Century Health with a principal amount of AUD8,000,000 bearing interest at a rate of 2.5% per annum for a term of 3.5 years. The loan is embedded with a conversion option for SY Health to demand and require Century Health to issue its shares to SY Health up to a maximum of 40% equity interests in Century Health. Details of the arrangement were disclosed in the announcement of the Company dated 1 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

Retail Operations

Revenue of the Group's retail business for the six months ended 30 June 2018 (the "Period") was HK$155.6 million, representing a 31.2% decrease from HK$226.2 million of the even period of 2017. We had recorded a same store sales decline of approximately 7.5% during the Period (30 June 2017: 10.8%). Despite the decrease in revenue of the Group's retail business, we had achieved a turnaround to profit of HK$0.6 million during the Period. This was mainly due to the improvement in operating results for (i) the retail business operations in Hong Kong and Macau attributable to the meticulous execution of both retail outlet mix optimisation and cost reduction strategies in the past year; (ii) the downsizing of our investment and operational exposure in Taiwan which had been in a loss-making position in the previous periods; and (iii) the picking up of the Hong Kong retail atmosphere in the past few months.

Hong Kong

Same as previous years, Hong Kong contributed the majority of sales as we had 51 retail outlets (31 December 2017: 57) in the locality as of the end of the Period. During the Period, we adjusted our brand portfolio and product mix and controlled discounts and promotional initiatives to lift our gross profit margin. To enhance our efficiency in operation and maintain the operating costs at a stable and reasonable level, we streamlined our workforce and continued our on-going practice of rationalising our retail network in Hong Kong. We regularly monitored the performance and productivity of each individual retail outlet, negotiated for better rental terms with landlord and closed the under-performing retail outlets. During the Period, we had operated 7 short-term lease promotion outlets to serve a wider base of customers and to reduce our aged and off-season inventories.

Taiwan

Taking into account the continuous loss-making position of business in Taiwan, we closed all retail outlets in Taiwan and maintained our Taiwan operation at a minimal scale until a due identification of other potential investment opportunities. In light of the downscaling strategy in Taiwan, we also completed our disposal of properties in Taiwan at a total consideration of NT$97.0 million. We are of the view that the downscaling strategy in Taiwan would improve the overall business performance and resource utilisation of the Group. The due disposal of properties had benefitted the Group by releasing bank borrowings which thus improved the liquidity and overall financial position of the Group.

Macau

The Group had maintained a comparable scale of its retail networks in Macau to reap the highest return amid the current level of economic conditions experienced in Macau. As at 30 June 2018, there were 2 retail outlets in Macau.

Mainland China

Given the rapid development of e-commerce and change in consumption pattern and behavior in the Mainland China market, together with the unsatisfactory performance of our retail and wholesale operations in the Mainland China, the management decided to downscale the Group's investment and operation there but would keep on marketing the Group's products under the brands of "Clarks", "Josef Seibel", "Petite Jolie" and "The Flexx" in the duty free shop in Hainan province in the Mainland China.

Wholesale Operations

The Group's wholesale operations continued to be the other main segment of our overall operations. It complemented our retail operations as our wholesale customers enabled the Group to reach diverse segments of customers to sell our footwear products. The management expected this segment to continue to contribute to the Group as we would continue to put in a reasonable level of operating resources to maintain the current scale of operations.

Prospects

During the Period, according to the statistics from the Immigration Department of Hong Kong, visitor arrivals increased by 10.1% as compared with the even period of 2017. Meanwhile, as revealed in the Report on Monthly Survey of Retail Sales issued by the Census and Statistics Department of Hong Kong, the value of retail sales for footwear, allied products and other clothing accessories raised by 14.3% as compared with the even period of 2017. It is our opinion that the retail market is under recovering tendency.

However, the recent trade war between the United States and China has brought uncertainties to the global economy. While continuing to optimise its operations of the existing retail and wholesale of footwear businesses, the Group is also actively diversifying its business and further exploring investment opportunities for performance improvement and risk management. On 27 July 2018, the Company completed its acquisitions of the controlling interests in DSG Asset Management (Cayman) Company Limited ("DSG Holdings (Cayman)") and DSG Finance Holdings (Hong Kong) Limited ("DSG Holdings (HK)"), respectively, which are principally engaged in provision of financial services (the "DSG Transaction"). In addition, the Group will take steps to extend its business scope to distribution of healthcare and infant products.

The Group will strengthen its business operations and investments in the financial services and healthcare products and infant products distribution businesses so as to improve the performance of the Group and create better returns to our shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group's business for the Period was HK$176.5 million, representing a 27.5% decrease from HK$243.3 million of the even period of 2017.

With regard to the sales of footwear products of the major brands under distribution agreements for the Period as compared with the even period of 2017, sales of "Clarks" footwear products had decreased by 24.2%, sales of "Josef Seibel" footwear products had decreased by 27.9%, sales of "The Flexx" footwear products had decreased by 59.7%, and sales of "Petite Jolie" had decreased by 92.8%, respectively.

As at 30 June 2018, the Group operated 51 retail outlets in Hong Kong and 2 retail outlets in Macau. As at the even date of 2017, the Group operated 63 retail outlets in Hong Kong, 2 retail outlets in Macau, 3 retail outlets in the Mainland China and 37 retail outlets in Taiwan.

Cost of Goods Sold

Our cost of goods sold amounted to HK$73.4 million for the Period, representing 41.6% of revenue (30 June 2017: HK$110.0 million, representing 45.2% of revenue). The decrease in cost of goods sold was mainly due to the decrease in sales activities of the Group.

Gross Profit

Gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Period was HK$103.1 million, representing a decrease of 22.7% from HK$133.3 million of the even period of 2017. Gross profit margin of the Group for the Period was 58.4% (30 June 2017: 54.8%). Such increase in gross profit margin was predominately attributable to our controlled discounts and promotional activities.

Staff Costs

Staff costs for the Period were HK$43.0 million, representing 24.4% of revenue (30 June 2017: HK$49.6 million, representing 20.4% of revenue). The decrease in staff costs was mainly due to the decrease in number of staff of the Group as compared to the even period of 2017.

Depreciation

Depreciation accounted for 1.0% of revenue for the Period (30 June 2017: 2.0% of revenue).

Retail Outlet Rentals and Related Expenses

Our retail outlet rentals and related expenses for the Period amounted to HK$46.8 million, representing 26.5% of revenue (30 June 2017: HK$78.3 million, representing 32.2% of revenue). The decrease in retail outlet rentals and related expenses was mainly due to the decrease in the number of our retail outlets during the Period. Our concession fees for the Period amounted to HK$16.0 million (30 June 2017: HK$25.9 million). Such decrease was mainly due to the decrease in the number of concession counters and the corresponding decrease in the sales made through these concessions, based on which part of the fees were charged.

Finance Costs

Our finance costs for the Period amounted to HK$1.0 million (30 June 2017: HK$1.5 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 4.0% (30 June 2017: 1.9% to 2.8%).

Loss Before Tax

As a result of the foregoing, our loss before tax for the Period was HK$0.35 million, representing a decrease of 98.3% from loss of HK$21.1 million of the even period of 2017.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2018, the Group had bank deposits and cash amounting to HK$52.5 million (31 December 2017: HK$24.3 million), representing an increase of 116.0% from 31 December 2017. Most bank deposits and cash were denominated in Hong Kong dollars. As at 30 June 2018, the Group had short-term bank borrowings amounting to HK$45.1 million (31 December 2017: HK$130.2 million), representing a decrease of 65.4% from 31 December 2017. As at 30 June 2018, the Group did not have any outstanding long-term bank borrowings, as compared to that with an amount of HK$8.8 million, comprising mainly mortgage for our office premises in Taiwan, as at 31 December 2017. During the Period, the Group disposed of its properties in Taiwan and hence settled the long-term bank borrowings with the proceeds thereof.

Pledge of Assets

As at 30 June 2018 and 2017, land and buildings, investment properties of a subsidiary of the Company and deposit and prepayment for a life insurance policy were pledged to secure the bank borrowings and banking facilities granted to the Group. As at 30 June 2017, bills receivables were pledged to secure the loans related to bills discounted with recourse (30 June 2018: Nil).

Investment Properties

The fair value of the Group's investment properties as at 30 June 2018 was HK$29.6 million. The fair value as at 30 June 2018 had been arrived at based on a valuation carried out on that date by ROMA Appraisals Limited, an independent valuer not connected with the Group and a member of Hong Kong Institute of Surveyors.

Future Plans for Material Investments or Capital Assets

As disclosed in the paragraph headed "Prospects" above, the Group plans to strengthen its operation and investments in its new line of businesses, i.e. the financial services and healthcare and infant products distribution businesses.

Treasury Policy

The Group adopts treasury policy that aims to better control its treasury operations and lowering its borrowing cost. As such, the Group endeavors to maintain an adequate level of cash and cash equivalents to address short-term funding needs. The Board also considers various funding sources depending on the Group's needs so as to ensure the financial resources have been used in the most cost-effective and efficient way to meet the Group's financial obligations. The Board reviews and evaluates the Group's treasury policy from time to time to ensure its adequacy and effectiveness.

Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures

On 19 January 2018, a direct wholly-owned subsidiary of the Company, Shang Ying Capital Limited, entered into a sale and purchase agreement with independent third parties to acquire 51% equity interests each in DSG Holdings (Cayman) and DSG Holdings (HK), at a total cash consideration of HK$40,800,000, which is subject to adjustment based on acquirees' aggregated net profits as shown in their audited consolidated financial statements for the year ending 31 December 2018. DSG Holdings (Cayman) is an investment fund manager and DSG Holdings (HK) is engaged in provision of financial services. The DSG Transaction was completed on 27 July 2018. Details of the DSG Transaction were disclosed in the announcements of the Company dated 19 January 2018 and 27 July 2018, respectively.

Fund Raising — Placing

On 19 January 2018, the Company and a placing agent entered into a placing agreement (as supplemented by an agreement dated 7 February 2018), pursuant to which the placing agent has conditionally agreed to procure, on a best effort basis, not less than six placees, who are professional, institutional and/or other investor(s) that are third parties independent of and are not connected with the Company and its connected persons, to subscribe for up to a maximum of 20,000,000 new shares at a placing price of HK$3.98 per placing share (the "Placing"). The net price to the Company of each placing share is approximately HK$3.88. The market price of the shares on the date when the issuance terms were determined (i.e. 19 January 2018) was HK$4.00.

The Placing was completed on 1 March 2018 and a total of 14,000,000 placing shares have been successfully placed by the placing agent. The gross proceeds and net proceeds from the Placing were HK$55,720,000 and approximately HK$54,360,000, respectively, which was intended to be used as to approximately HK$41 million for financing the DSG Transaction, and the remaining proceeds for financing future investment or new business development as and when opportunities arise and for general working capital purpose. As at the date of this announcement, HK$40.8 million had been utilised for the DSG Transaction, approximately HK$9.17 million had been applied as general working capital of the Group and the remaining proceeds of approximately HK$4.39 million will be utilised as intended by 2018.

For details of the Placing, please refer to the Company's announcements dated 19 January 2018, 7 February 2018 and 1 March 2018, respectively.

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 of time 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 impact the Group's results.

HUMAN RESOURCES

As at 30 June 2018, the Group employed approximately 227 employees (31 December 2017: 325). Remuneration packages are generally structured with 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, had been conducted to improve the quality of sales services.

DIVIDENDS

The Board has resolved not to declare an interim dividend for the Period (2017: Nil).

PURCHASE, SALE OR 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 of the Company, 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 the risk management and internal control systems of the Company.

The audit committee (comprising the existing independent non-executive directors of the Company, namely Mr. Lum Pak Sum, Mr. Xie Rongxing and Mr. Chen Huigang) has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management, 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 30 June 2018 and 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 websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.s-culture.com). The 2018 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
Yang Jun
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises three executive directors, namely, Mr. Yang Jun, Mr. Lin Zheming and Mr. Zhu Fangming; three non-executive directors, namely, Mr. Law Fei Shing, Mr. Lin Jun and Mr. Chu Chun Ho, Dominic; and three independent non-executive directors, namely, Mr. Xie Rongxing, Mr. Chen Huigang and Mr. Lum Pak Sum.