



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



Interim Report 2014



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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Chu Siu Ming (*Vice-Chairman*)
Mr. Chu Chun Ho, Dominic (*Co-Chief Executive Officer*)
Mr. Chu Chun Wah, Haeta (*Co-Chief Executive Officer*)

Non-executive Directors

Mr. Chong Hot Hoi (*Chairman*)
Mr. Chong Hok Hei, Charles
Mr. Yu Fuk Lun

Independent Non-executive Directors

Mr. Wan Kam To
Mr. Yau Tat Wang, Dennis
Mr. Lam Man Tin

Audit Committee

Mr. Wan Kam To (*Chairman*)
Mr. Yau Tat Wang, Dennis
Mr. Lam Man Tin

Remuneration Committee

Mr. Yau Tat Wang, Dennis (*Chairman*)
Mr. Chong Hot Hoi
Mr. Yu Fuk Lun
Mr. Wan Kam To
Mr. Lam Man Tin

Nomination Committee

Mr. Lam Man Tin (*Chairman*)
Mr. Chong Hot Hoi
Mr. Chu Siu Ming
Mr. Wan Kam To
Mr. Yau Tat Wang, Dennis

Authorized Representatives

Mr. Chu Chun Ho, Dominic
Mr. Chow Wing Hang, John

Chief Financial Officer

Mr. Ma Chun Fung, Horace

Company Secretary

Mr. Chow Wing Hang, John

Registered Office

Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

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Kwai Chung
New Territories
Hong Kong

Stock Code

1255

Website

www.s-culture.com

Compliance Adviser

RHB OSK Capital Hong Kong Limited
12th Floor
World-Wide House
19 Des Voeux Road Central
Hong Kong

Legal Adviser

Wilkinson & Grist
6th Floor, Prince's Building
10 Chater Road
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Cayman Share Registrar

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bangkok Bank Public Company Limited
Hang Seng Bank Limited

FINANCIAL HIGHLIGHTS

		For the 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

		As at	
		30 June 2014	31 December 2013
Current ratio		2.8 times	2.3 times
Gearing ratio (total debt to total equity)		37.5%	49.0%
Average trade receivables turnover period		30.5 days	34.6 days
Average trade payables turnover period		15.2 days	17.7 days
Average inventory turnover period		282.6 days	261.3 days

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.



CHAIRMAN'S STATEMENT



Chairman's Statement

(Continued)

Dear Shareholders,

I am pleased to announce, on behalf of the board of directors (the "Board") of S. Culture International Holdings Limited (the "Company", together with its subsidiaries, the "Group"), the Company's interim results for the six months ended 30 June 2014 (the "Period").

While this is the second interim results of the Group since its listing in July last year (the "Listing"), it also comes in the material time that marks the first anniversary of the successful Listing of the Group. Much has changed during the past twelve months, especially the operating environment of the retail industry. The recent releases of the various provisional statistics of retail sales in Hong Kong have painted the gloomiest picture of the retail industry by far, as related commentaries are predicting a deteriorating trend in the second half of the year. However, if we look closer to the statistics in finer categories, "footwear, allied products and other clothing accessories" are still enjoying an upward trend. With this backing the Group was able to record growth in both revenue and net profit of 14.3% and 19.3% for the comparative periods, respectively. We also recorded a same store sales growth of 15.2% for the comparative period. These encouraging results have proved that we have chosen the appropriate strategies. This has also marked the successful performance of the management team to rise up to the challenges posed by the evermore hostile and fast-changing landscape of the retail industry.

For the Period, the Group continued its expansion efforts. In particular, there were the openings of several "JS & Family" and "SC & Family" stores and counters. These themed concept stores were to capitalize on the opportunities posed by the kids footwear market which were poised for further growth given the increased birth rate in the last decade. We were also entering into the footwear accessories market by introducing ranges of insole products for customers who were more aware of their podiatric health. In the meantime, the Group has also kicked start its expansion in the retail market in Mainland China. However, given the ever changing atmosphere in the Mainland retail market, we were applying a cautious approach which we would rely 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.

We are confident that the Group would maintain poised under this uncertain business and operating environment while applying flexible yet cost efficient measures amid the rising trends of costs to increase shareholders' value.

By Order of the Board

S. Culture International Holdings Limited

Chong Hot Hoi

Chairman

12 August 2014



MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Retail Operations

Revenue of the Group's retail business for 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.



Management Discussion and Analysis

(Continued)



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.



Management Discussion and Analysis

(Continued)



Management Discussion and Analysis

(Continued)

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.



Management Discussion and Analysis

(Continued)

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.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



TO THE BOARD OF DIRECTORS OF S. CULTURE INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of S. Culture International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 14 to 27, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

12 August 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (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	11	2,000	2,000
Reserves		249,006	239,112
Total equity		251,006	241,112

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000 (Note (a))	Legal reserve HK\$'000 (Note (b))	Translation reserve HK\$'000	Accumulated profits HK\$'000	
At 1 January 2014 (audited)	2,000	92,911	15,800	—	188	130,213	241,112
Profit for the period	—	—	—	—	—	10,802	10,802
Exchange difference arising on translation and other comprehensive expense for the period	—	—	—	—	(908)	—	(908)
Total comprehensive (expense) income for the period	—	—	—	—	(908)	10,802	9,884
Transfer	—	—	—	12	—	(12)	—
At 30 June 2014 (unaudited)	2,000	92,911	15,800	12	(720)	141,003	251,006
At 1 January 2013 (audited)	16	—	15,784	—	161	133,711	149,672
Profit for the period	—	—	—	—	—	9,055	9,055
Exchange difference arising on translation and other comprehensive expense for the period	—	—	—	—	(84)	—	(84)
Total comprehensive (expense) income for the period	—	—	—	—	(84)	9,055	8,971
Dividend declared	—	—	—	—	—	(20,000)	(20,000)
Issue of shares upon group reorganisation	(16)	—	16	—	—	—	—
At 30 June 2013 (unaudited)	—	—	15,800	—	77	122,766	138,643

Notes:

- (a) The special reserve of the Group represents the difference between the nominal amount of the share capital and share premium of Kong Tai Sundry Goods Company Limited ("Kong Tai Sundry Goods") and Grand Asian Limited ("Grand Asian"), subsidiaries of the Company, and the nominal amount of share capital of the Company pursuant to group reorganisation as explained in Note 1.
- (b) As stipulated by the relevant laws and regulations in the Macao Special Administrative Region, a subsidiary of the Company is required to set aside 25% of its profit for the period to a legal reserve until the legal reserve has reached 50% of its registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Net cash from operating activities	15,392	20,564
Net cash used in investing activities		
Interest received	384	6
Purchase of property, plant and equipment	(6,638)	(2,313)
	(6,254)	(2,307)
Net cash used in financing activities		
New bank borrowings raised	120,786	58,770
Repayment of bank borrowings	(143,858)	(74,642)
Interest paid	(825)	(837)
Repayments to related parties	—	(8,509)
Advance from immediate holding company	—	150
	(23,897)	(25,068)
Net decrease in cash and cash equivalents	(14,759)	(6,811)
Cash and cash equivalents at beginning of the period	89,889	28,028
Effect of foreign exchange rate changes	(79)	(28)
Cash and cash equivalents at end of the period, representing bank balances and cash	75,051	21,189

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

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 and 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 as disclosed in note 12 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.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

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.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

3. Revenue and Segment Information (Continued)

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.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

4. Profit Before Taxation

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (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).

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

5. Taxation

	Six months ended 30 June	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	2,691	2,014
Macau Complementary Tax	163	59
	2,854	2,073
Deferred taxation	(289)	—
	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. Dividends

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.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

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 owner 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

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

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.

11. Share Capital

The movement in share capital of the Company are as follows:

	Notes	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 January 2013		5,000,000	50
Increase on 11 June 2013	(a)	495,000,000	4,950
At 31 December 2013, 1 January 2014 and 30 June 2014		500,000,000	5,000
Issued and fully paid:			
At 1 January 2013		1	—
Issue of shares upon the group reorganisation	(b)	9,999	—
At 30 June 2013		10,000	—
Capitalisation issue	(c)	149,990,000	1,500
Issue of shares upon the public offering	(d)	50,000,000	500
At 31 December 2013, 1 January 2014 and 30 June 2014		200,000,000	2,000

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

11. Share Capital (Continued)

Notes:

- (a) Pursuant to the written resolutions passed by the shareholders of the Company on 11 June 2013, the authorised share capital of the Company was increased from HK\$50,000 to HK\$5,000,000 by the creation of 495,000,000 additional new shares of HK\$0.01 each in the capital of the Company.
- (b) Pursuant to the group reorganisation, on 25 January 2013, the Company acquired the entire issued share capital of S. Culture BVI from CN Fashion in consideration of the allotment of 9,999 shares of HK\$0.01 each to CN Fashion.
- (c) Pursuant to the written resolution passed by the shareholders of the Company on 11 June 2013, the sum of HK\$1,499,900 standing to credit of the share premium amount of the Company was approved to be capitalised and applied in paying in full at par of 149,990,000 ordinary shares of the HK\$0.01 each for allotment and issue on 11 July 2013.
- (d) On 11 July 2013, 50,000,000 ordinary shares of HK\$0.01 each of the Company was issued at HK\$2.13 per share by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

The shares issued rank pari passu with other shares in issue in all respects.

The share capital as at 1 January 2013 represented the combined share capital of the Company and S. Culture BVI.

There were no changes in the Company's authorised, issued and fully paid share capital during the year six months ended 30 June 2014.

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

12. Disposal of Subsidiaries

On 21 January 2013, the Group disposed of the 100% equity interests in its subsidiaries, Aiuti Company Limited and Cotteen Marketing Limited, to CN Fashion for a total consideration of HK\$41,000.

The net assets of these subsidiaries at the date of disposal were as follows:

	HK\$'000
Consideration received:	
Cash received	41
Analysis of assets and liabilities over which control was lost:	
Bank balances and cash	41
Other assets	20
Other payables	(20)
	41
Result on disposal of subsidiaries:	
Consideration received	41
Net assets derecognised	(41)
Result on disposal	—
Net cash flow arising on disposal:	
Cash consideration received	41
Cash and cash equivalents disposed of	(41)
	—

13. Related Party Transactions

In addition to the transactions and balances disclosed elsewhere in the condensed consolidated financial statements, the Group had entered into the following related party transactions:

Name of related companies	Nature of transactions	Six months ended 30 June	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Becking Investment Limited ("Becking Investment") (Note a)	Rental expense	216	155
Mr. Chong Hok Shan	Rental expense	180	180
Mr. Chu Siu Ming and Ms. Wong May Heung (Note b)	Interest expense	—	161

Notes to the Condensed Consolidated Financial Statements

(Continued)

For the six months ended 30 June 2014

13. Related Party Transactions (Continued)

Notes:

- (a) Becking Investment is wholly-owned by Mr. Chong Hok Shan, a controlling shareholder of the Company, and Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles, the directors of the Company.
- (b) Ms. Wong May Heung is a close family member of Mr. Chu Siu Ming.

Compensation of key management personnel

The remuneration of key management of the Group, representing the directors of the Company, during the period was as follows:

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Fees, salaries and allowances	4,158	3,555
Retirement benefit scheme contributions	140	145
	4,298	3,700

GENERAL INFORMATION

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the interests of the directors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in issued shares of the Company

Name of director	Nature of interests	Note	Number of the Company's shares interested	Percentage* of the Company's issued share capital
Mr. Chu Siu Ming	Beneficial owner		465,000	0.23%
	Interest held by spouse	1	2,670,000	1.34%
			3,135,000	1.57%
Mr. Chong Hot Hoi	Interest held by controlled corporations	2	43,755,000	21.87%
Mr. Chong Hok Hei, Charles	Interest held by controlled corporations	2	43,755,000	21.87%

Notes:

- (1) These 2,670,000 shares were held by Ms. Wong May Heung, the wife of Mr. Chu Siu Ming. Accordingly, Mr. Chu was deemed to be interested in these shares of the Company pursuant to the SFO.
- (2) These shares were held by Chung Nam Fashion Limited (for 40,935,000 shares) and Pomeroy Group Limited (for 2,820,000 shares) respectively. Each of Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles owned one-third of the issued share capital of each of Chung Nam Fashion Limited and Pomeroy Group Limited. Accordingly, they were deemed to be interested in these shares held by these two corporations pursuant to the SFO.
- + The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares (Continued)

(II) Long position in shares of associated corporation — KTS International Holdings Inc.

Name of director	Nature of interests	Number of associated corporation's shares interested	Percentage* of the associated corporation's issued share capital
Mr. Chu Siu Ming	Beneficial owner	3,675,178	23.25%
Mr. Chu Chun Ho, Dominic	Beneficial owner	264,577	1.67%
Mr. Chu Chun Wah, Haeta	Beneficial owner	97,499	0.62%
Mr. Chong Hot Hoi	Beneficial owner	266,158	1.68%
Mr. Chong Hok Hei, Charles	Beneficial owner	260,272	1.65%

+ The percentage represents the number of the associated corporation's shares interested divided by the number of the associated corporation's issued shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 11 June 2013. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants to (i) motivate them to optimize their performance and efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain ongoing business relationship with eligible participants whose contributions are, will or expected to be beneficial to our Group.

The Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 20,000,000 shares, being 10% of the total number of shares in issue at the time dealings in the Company's shares first commence on the Stock Exchange and at the date of this report.

General Information

(Continued)

Share Option Scheme (Continued)

The Share Option Scheme will remain in force for a period of ten years from its adoption date. Subject to certain restrictions contained in the Share Option Scheme, an option may be exercised in accordance with the terms of the Share Option Scheme and the terms of grant thereof at any time during the applicable option period, which is not more than ten years from the date of grant of option. There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, at the time of granting any option, our Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitations including (without limitation) those in relation to the minimum period of the options to be held and/or the performance targets to be achieved as our Board may determine in its absolute discretion. The directors confirm that the Share Option Scheme is in compliance with Chapter 17 of the Listing Rules. Up to the date of this report, no option had been granted by the Company under the Share Option Scheme.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 June 2014, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in the issued shares of the Company

Name of substantial shareholder	Nature of interests	Number of the Company's shares interested	Percentage⁺ of the Company's issued share capital
Mr. Chong Hok Shan	Interest held by controlled corporations (Note)	146,085,000	73.04%
KTS International Holdings Inc.	Beneficial owner	102,330,000	51.17%
Chung Nam Fashion Limited	Beneficial owner	40,935,000	20.47%

Note: These shares were held by KTS International Holdings Inc. (for 102,330,000 shares), Chung Nam Fashion Limited (for 40,935,000 shares) and Pomeroy Group Limited (for 2,820,000 shares) respectively. Mr. Chong Hok Shan owned approximately 37.53% of the issued share capital of KTS International Holdings Inc. and one-third of the issued share capital of each of Chung Nam Fashion Limited and Pomeroy Group Limited. Accordingly, Mr. Chong was deemed to be interested in these shares held by these three corporations pursuant to the SFO.

+ The percentage represents the number of the Company's shares interested divided by the number of the Company's issued shares as at 30 June 2014.

Save as disclosed above, as at 30 June 2014, no person, other than the directors of the Company whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Use of Proceeds from Initial Public Offering

On 11 July 2013, the Company was successfully listed on the Main Board of the Stock Exchange. The initial public offering by way of international placing and Hong Kong public offering was welcomed by investors. The total net proceeds from the Listing after deduction of the underwriting fees and commissions and estimated expenses payable by the Company in connection with the global offerings is amounted to approximately HK\$90 million. During the period between the date of Listing and 30 June 2014, the net proceeds from the Listing were utilised in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 28 June 2013. As at 30 June 2014, the Group used net proceeds of approximately HK\$52.3 million, of which approximately HK\$17.8 million was used for opening new retail outlets in Hong Kong, Taiwan and Mainland China, approximately HK\$23.0 million was used to settle outstanding amounts due to existing shareholders and amount due to immediate holding company, approximately HK\$6.8 million was used for renovating the retail outlets in Hong Kong and Taiwan, approximately HK\$2.2 million was used for marketing and promotion and approximately HK\$2.5 million was used for additional working capital and other general corporate purposes. The unutilised net proceeds are placed on short-term deposits with licensed banks in Hong Kong.

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 (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.

Compliance with the Written Guidelines for Securities Transactions by the Relevant Employees of the Company

The Company has established written guidelines for the relevant employees of the Company (the "Relevant Employees") in respect of their dealings in the securities of the Company (the "Written Guidelines") on terms no less exacting than the required standard set out in the Model Code. For this purpose, "Relevant Employee" includes any employee of the Company or a director or employee of a subsidiary or holding company of the Company who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Written Guidelines was noted by the Company for 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.

General Information

(Continued)

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 report, the Company has maintained the prescribed minimum public float under the Listing Rules.

Update on Directors' Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of directors of the Company is set out below:

- Mr. Chu Siu Ming and Mr. Chu Chun Ho, Dominic were appointed as administrators of Shoes Culture Company Limited (a subsidiary of the Company) on 27 February 2014.
- Mr. Chu Siu Ming, Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta were appointed as directors of each of Cobblers (Hong Kong) Trading Company Limited and Shoes Culture (Hong Kong) Trading Company Limited (both are the subsidiaries of the Company) on 23 June 2014.
- Mr. Chong Hok Hei, Charles ceased to be a director of Thunder Power Co., Ltd (a company listed on the Taiwan Stock Exchange; stock code: 4529) on 20 June 2014.
- Mr. Wan Kam To was appointed as the Treasurer and a member of the Council of The Open University of Hong Kong for a term of three years with effect from 20 June 2014. Mr. Wan resigned as an independent director of RDA Microelectronics, Inc. (a company listed on the NASDAQ Stock Market in New York; stock code: RDA) with effect from 18 July 2014.

Publication of Interim Results Announcement and Interim Report

The 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). This 2014 interim report, containing all the information required by the Listing Rules, has also been published on the above websites.

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.