

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
2015



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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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Block 2, Kwai Tak Industrial Centre
15-33 Kwai Tak Street
Kwai Chung
New Territories
Hong Kong

Stock Code

1255

Website

www.s-culture.com

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

		2015	2014
Revenue	HK\$'000	269,414	291,613
Gross profit	HK\$'000	173,777	187,259
(Loss) profit before taxation	HK\$'000	(4,718)	13,357
(Loss) profit attributable to owners of the Company	HK\$'000	(4,648)	10,802
Gross profit margin	%	64.5	64.2
(Loss) profit margin attributable to owners of the Company	%	(1.7)	3.7
(Loss) earning per share — basic	HK\$	(0.023)	0.054

As at

	30 June 2015	31 December 2014
Current ratio	1.8 times	2.1 times
Gearing ratio (total debt to total equity)	73.4%	57.8%
Average trade receivables turnover period	35.7 days	32.9 days
Average trade payables turnover period	10.5 days	15.6 days
Average inventory turnover period	377.0 days	289.8 days

CHAIRMAN'S STATEMENT





Dear Shareholders,

On behalf of the board of directors (the "Board") of S. Culture International Holdings Limited ("S. Culture" or the "Company", together with its subsidiaries, the "Group"), I hereby present the Company's interim results for the six months ended 30 June 2015 (the "Period").

In the first half of 2015, the retail industry in Hong Kong was suffering from the continued sluggishness of the market as the general consumer sentiment still remained low. Local consumption was adversely affected by Hong Kong's acute socio-political unpleasantness since the third quarter of 2014. Consumers were not convinced and confident enough to loosen their purses for spending as they were before. In the meantime, tourists from the Mainland China were still skeptical about the general safety in Hong Kong due to the unwelcoming hostility towards them by certain group of local residents in major shopping areas and exhibited reluctance to visit and thus spend in Hong Kong. To aggravate the current unfavorable situation, the slowing economic growth of the Mainland China and the continuing anti-graft campaign imposed by the central government had also resulted in a dampening effect on the Mainland China consumers' spending behavior as well. These factors above had led to deteriorating effects to the local retail industry which were reflected in the recent releases of the various provisional statistics of retail sales in Hong Kong.

The first half of 2015 also proved to be a challenging period for the Group as the Group was also succumbed to the above-mentioned factors. In this regard, our retail segment in Hong Kong was much affected and thus the Group as a whole had recorded a same store sales decline of approximately 8.2% and a net loss of approximately HK\$4.6 million for the Period.

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

In light of the weakening general retail market and margin erosion in the Hong Kong footwear market, the Group had continued to assess and rationalise its retail network in Hong Kong while pacing and strengthening our business presence in the Mainland China to tap the market potential there. The Group was mindful of the escalating costs of operations, including but not limited to the rental costs, concession fees and salaries and allowance. The Group would continue to monitor the impact of the above-mentioned factors and pursue the appropriate stringent cost containment measures, including but not limited to stalling the salary increment in 2015 and closing low performing retail outlets to improve store efficiency.

While we are still expecting volatility in the local retail market, the Group would be poised to be highly attentive to the ever-changing market factors and apply the appropriate strategies to tackle the existing and future challenges and keep our pace for steady development, especially in the Mainland China, where our presence will be gradually increased. We have now expanded into cities of Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou and Harbin through collaborating with the local retail partners. We have also opened two self-operated stores with our well received brands in the market such as "Josef Seibel" and "The Flexx". We expect to increase our market share in the Mainland China by utilizing both on- and off-line channels whichever is more effective in the case. As part of our holistic strategic plan in the long run, the Group would continue to capitalise on the Group's core competence, to honor the core values of S. Culture and to explore new opportunities to achieve sustainability and deliver optimal return to our shareholders.

By Order of the Board

S. Culture International Holdings Limited

Chong Hot Hoi

Chairman

12 August 2015

MANAGEMENT DISCUSSION AND ANALYSIS



Operation Review

Retail Operations

Revenue of the Group's retail business for the Period was HK\$245.9 million, representing a 8.6% decrease from the HK\$268.9 million of the even period of 2014. We had also recorded a 8.2% decrease of comparable retail outlet sales during the Period (30 June 2014: 15.2% increase). This was mainly due to the prolonged sluggishness of the consumer market in Hong Kong, resulting from the declining spending sentiments of the local consumers and tourists from the Mainland China under the prevailing economic and social conditions.

Hong Kong

Hong Kong is still contributing a majority of sales as we have 73 retail outlets in the locality. In view of the slow sales and challenging operating environment as mentioned above, we recorded a same store sales decline of approximately 9.6% in sales revenue for our Hong Kong retail operations. To counter the high costs of operations, including but not limited to staff and rental expenses, we were stalling our salary increment plan in 2015 and rebalancing our retail outlets mix by monitoring the effectiveness and productivity of each of our retail outlets on a regular basis. We were also considering to close those under-performing retail outlets or to relocate certain retail outlets to other prime shopping locations with lower rentals. In this regard, we continued our best endeavours to contain the operating expenses at a stable and reasonable level with respect to the sales made and to respond promptly to the ever-changing market conditions.

Taiwan

The Group increased the number of its retail outlets in Taiwan to 51 during the Period. Excluding the effect of translating Taiwan dollars into Hong Kong dollars, revenue generated from Taiwan had experienced an increase of approximately 1.5% for the Period. We continued with our strategy in Taiwan by identifying and increasing our retail outlets in selected department stores in the latter half of 2015. We also revamped our warehousing logistic arrangement and infrastructure to facilitate our product flow throughout Taiwan. The management continued with its flexible operating tactics and stringent financial control to further enhance efficiency and cost management with a goal to achieving reasonable return from our operations in Taiwan.

Macau

The Group had maintained the scale of operations in Macau to reap the highest return with the current level of investment amid the current level of economic conditions experienced in Macau. As at 30 June 2015, there were two retail outlets in Macau.

Mainland China

For the operations in Mainland China, we continued to implement the strategies steered by the Board to strengthen our business presence in the Mainland market. Towards this goal, we continued to open our concession counters under the brands of “Josef Seibel” and “The Flexx” and actively collaborate with our local and experienced business partners to gradually expand our retail network and capture our target customers in the cities of the Mainland China. As at 30 June 2015, the Group had two (31 December 2014: one) retail outlets and six (31 December 2014: five) points of sales of our products under the brands of “Clarks”, “Josef Seibel”, “Petite Jolie”, and “The Flexx” in the cities of Shanghai, Qinhuangdao, Haikou, Qingdao, Songyuan, Zhengzhou and Harbin. The management expected 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 reach a diverse segments of customers in selling 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

The consumer market in the second half of 2015 will remain weak and uncertain. The lingering after-effect of Hong Kong socio-political unpleasantness and the local protests in Hong Kong towards the Mainland Chinese tourists painted a cloudy prospect to the retail sector in Hong Kong. The deterioration in the macro-economic environment and the ever-changing consumer behaviors exerted pressure on the general retailers as a result of weak retail sentiment. We foresee enormous challenges ahead for the traditional brick and mortar retail sector as a whole in our areas of operation.

Going forward, the Group is bearing a conservative outlook towards the Hong Kong retail market in the second half of 2015. In this regard, the management will pursue precise operating tactics to rationalise its retail network and to monitor its costs of operations. The Group is keen and cautious to identify suitable target locations and cities to expand our scale of operations in the Mainland China. Aside





from operating under physical retail outlets, the Group will also explore new business opportunities and initiatives such as viable online sales platforms and marketing channels to increase our market share in the Mainland China. We anticipate that the embarking on omni-retailing channel can help us to unearth potential opportunities and growth areas there.

While we are working meticulously to execute our forward-looking strategies and actions to improve the sales and performance in the second half of 2015, we expect the Group's full year financial results for the year ending 31 December 2015 would be less promising than that in the prior year. Nevertheless, we believe that the current sluggishness of the retail sector is only temporary. We are confident that the Group's solid foundation in its abundance of experience and exclusivity of branded footwear distributorship, dedication in pursuing excellence in product and service quality and active promotion of sustainable business development strategies shall guide the Group to cut through the challenges and seize the opportunities during market recovery in the foreseeable future.

Financial Review

Revenue

Revenue of the Group's business for the Period was HK\$269.4 million, representing a 7.6% decrease from HK\$291.6 million of the even period of 2014.

With regard to the sales of the major brands under exclusive distribution agreements for the Period compared with the even period of 2014, sales of "Clarks" footwear products had decreased by 12.1%, sales of "Josef Seibel" footwear products had slightly decreased by 0.1%, sales of "The Flexx" and "Petite Jolie" footwear products had maintained the growth in sales of 27.0% and 48.2% respectively. The growth in sales of "The Flexx" and "Petite Jolie" is encouraging performance indicator that reaffirms our strategy in introducing and cultivating quality brands in our target markets.

As at 30 June 2015, the Group operated 73 retail outlets in Hong Kong, two retail outlets in Macau, two retail outlets in the Mainland China and 51 retail outlets in Taiwan. As at the even date of 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.

Cost of Goods Sold

Our cost of goods sold amounted to HK\$95.6 million for the Period, representing 35.5% of revenue (30 June 2014: HK\$104.4 million, representing 35.8% of revenue). The decrease in cost of goods sold was mainly due to the decrease in sales activities of the Group resulted from the negative retail sentiment.



Gross Profit

Gross profit (gross profit equals to revenue minus cost of goods sold) of the Group for the Period was HK\$173.8 million, representing a decrease of 7.2% from HK\$187.3 million of the even period of 2014. Gross profit margin of the Group for the Period was 64.5% (30 June 2014: 64.2%).

Staff Costs

Staff costs for the Period were HK\$55.5 million, representing 20.6% of revenue (30 June 2014: HK\$55.4 million, representing 19.0% of revenue). The slight increase in overall staff costs was mainly due to the net effect of the increase in number of staff of the Group as compared to the even period of 2014 and the stall for the salary increment in 2015.

Depreciation

Depreciation accounted for 2.5% of revenue for the Period (30 June 2014: 2.4% of revenue).

Retail Outlet Rentals and Related Expenses

Our retail outlet rentals and related expenses for the Period amounted to HK\$85.4 million, representing 31.7% of revenue (30 June 2014: HK\$82.0 million, representing 28.1% of revenue). The increase in the retail outlet rentals and related expenses was mainly due to the increase in the number of our retail outlets during the Period. Our concession fees for the Period amounted to HK\$32.5 million (30 June 2014: HK\$29.4 million). Such increase was mainly due to the corresponding increase in the sales made through these concessions, based on which part of the fees were charged.

Finance Costs

Our finance costs for the Period amounted to HK\$1.3 million (30 June 2014: HK\$0.8 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 were ranged from 1.5% to 3.0% (30 June 2014: 1.7% to 3.2%).

(Loss) Profit Before Tax

As a result of the foregoing, our loss before tax for the Period was HK\$4.7 million as compared to profit before tax of HK\$13.4 million for the six months ended 30 June 2014.

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2015, the Group had bank deposits and cash amounting to HK\$50.7 million (31 December 2014: HK\$70.8 million), representing a decrease of 28.4% from 31 December 2014. Most bank deposits and cash were denominated in Hong Kong dollars.

As at 30 June 2015, the Group had short term bank borrowings amounting to HK\$157.8 million (31 December 2014: HK\$126.2 million), representing an increase of 25.0% from 31 December 2014. As at 30 June 2015, the Group had long term bank borrowings, comprising mainly mortgage for our office premises in Taiwan, amounting to HK\$11.5 million (31 December 2014: HK\$11.8 million), representing a decrease of 2.5% from 31 December 2014.

Foreign Currency Risks

The Group's sales and purchases for the Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, New Taiwan dollars, Euros and US dollars. The Renminbi is not a freely convertible currency. The currency market for Macau Pataca is relatively small and undeveloped. Therefore, our ability to convert large amounts of Macau Pataca into Hong Kong dollars over a relatively short period

may be limited. The exchange of New Taiwan dollars is restricted and governed by various government rules regarding the application of outward remittance. In view of the above, future exchange rates of the above currencies could vary significantly from the current or historical exchange rates as a result of the controls that could be imposed by the respective governments and the depth and breadth of the respective markets of currency exchange. The respective exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the respective currencies. The appreciation or devaluation of the respective currencies against Hong Kong dollars may have impact on the Group's results.

HUMAN RESOURCES

As at 30 June 2015, the Group employed approximately 460 employees (31 December 2014: 476). 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

The Board has resolved not to declare an interim dividend for the Period.



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. **德勤**

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 13 to 23, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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 2015

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Revenue	3	269,414	291,613
Cost of goods sold		(95,637)	(104,354)
Gross profit		173,777	187,259
Other income		951	992
Other losses		(629)	(434)
Selling and distribution costs		(104,585)	(102,894)
Administrative expenses		(72,953)	(70,741)
Finance costs		(1,279)	(825)
(Loss) profit before taxation	4	(4,718)	13,357
Taxation	5	70	(2,555)
(Loss) profit for the period		(4,648)	10,802
Other comprehensive income (expense)			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation		787	(908)
Total comprehensive (expense) income for the period		(3,861)	9,894
(Loss) earning per share — basic (HK\$)	7	(0.023)	0.054

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	NOTES	At 30.6.2015 HK\$'000 (unaudited)	At 31.12.2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	56,047	50,351
Investment properties		770	776
Deferred tax assets		6,810	6,246
Deposit paid for acquisition of property, plant and equipment		—	928
Rental deposits		25,030	20,840
		88,657	79,141
Current assets			
Inventories		206,788	187,245
Trade and other receivables	9	81,421	68,072
Derivative financial instruments		—	384
Taxation recoverable		2,344	1,658
Bank balances and cash		50,665	70,801
		341,218	328,160
Current liabilities			
Trade and other payables	10	28,478	28,627
Derivative financial instruments		143	370
Taxation payable		842	519
Obligation under a finance lease — due within one year		305	296
Bank borrowings — due within one year		157,756	126,214
		187,524	156,026
Net current assets		153,694	172,134
Total assets less current liabilities		242,351	251,275
Non-current liabilities			
Obligation under a finance lease — due after one year		—	155
Bank borrowings — due after one year		11,457	11,765
		11,457	11,920
Net assets		230,894	239,355
Capital and reserves			
Share capital	11	2,000	2,000
Reserves		228,894	237,355
Total equity		230,894	239,355

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	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 2015 (audited)	2,000	92,911	15,800	12	(2,604)	131,236	239,355
Loss for the period	—	—	—	—	—	(4,648)	(4,648)
Exchange difference arising on translation and other comprehensive income for the period	—	—	—	—	787	—	787
Total comprehensive income (expense) for the period	—	—	—	—	787	(4,648)	(3,861)
Dividend paid	—	—	—	—	—	(4,600)	(4,600)
At 30 June 2015 (unaudited)	2,000	92,911	15,800	12	(1,817)	121,988	230,894
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

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, subsidiaries of the Company, and the nominal amount of share capital of the Company pursuant to group reorganisation.
- (b) As stipulated by the relevant laws and regulations in the Macau 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 2015

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Net cash (used in) from operating activities	(33,641)	15,392
Net cash used in investing activities		
Interest received	466	384
Proceeds from disposal of property, plant and equipment	41	—
Purchase of property, plant and equipment	(11,396)	(6,638)
	(10,889)	(6,254)
Net cash from (used in) financing activities		
New bank borrowings raised	152,633	120,786
Repayment of bank borrowings	(122,280)	(143,858)
Dividend paid	(4,600)	—
Interest paid	(1,279)	(825)
Repayment of obligation under a finance lease	(146)	—
	24,328	(23,897)
Net decrease in cash and cash equivalents	(20,202)	(14,759)
Cash and cash equivalents at beginning of the period	70,801	89,889
Effect of foreign exchange rate changes	66	(79)
Cash and cash equivalents at end of the period, representing bank balances and cash	50,665	75,051

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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

2. Principal Accounting Policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following 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 2015.

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

The application of the above 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

For the six months ended 30 June 2015

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 2015

	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	245,858	23,556	269,414	—	269,414
Inter-segment sales	—	104,941	104,941	(104,941)	—
Segment revenue	245,858	128,497	374,355	(104,941)	269,414
Segment results	(1,749)	3,412	1,663	(2,073)	(410)
Unallocated income					833
Unallocated expenses					(3,862)
Finance costs					(1,279)
Loss before taxation					(4,718)

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

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, fair value loss on derivative financial instruments, rental income, interest income and finance costs. This is the measure reported to the executive directors of the Company for the purpose of resource allocation and performance assessment.

For the six months ended 30 June 2015

4. (Loss) Profit Before Taxation

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
(Loss) profit before taxation has been arrived at after charging (crediting):		
Operating lease rentals in respect of		
— rented premises (minimum lease payments)	1,905	1,130
— retail stores (including in selling and distribution costs)		
— minimum lease payments	49,672	48,197
— contingent rent (note)	1,325	3,231
	50,997	51,428
— department store counters (including concessionaire commission) (included in selling and distribution costs)		
— minimum lease payments	20,440	13,888
— contingent rent (note)	12,044	15,555
	32,484	29,443
	85,386	82,001
Depreciation of property, plant and equipment	6,746	7,079
Depreciation of investment properties	6	7
Staff costs, including directors' emoluments	55,544	55,463
Rental income	(367)	(450)
Interest income	(466)	(384)
Fair value loss on derivative financial instruments	143	—
Net exchange loss	482	431

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

5. Taxation

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax		
Hong Kong Profits Tax	323	2,691
Macau Complementary Tax	156	163
Deferred taxation	479 (549)	2,854 (299)
	(70)	2,555

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 2014: 16.5%) on the estimated assessable profit for the period.

Taiwan income tax is calculated at 17% (six months ended 30 June 2014: 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 the six months ended 30 June 2015 and its assessable profits for the six months ended 30 June 2014 were wholly absorbed by the loss brought forward.

Macau Complementary Tax is calculated at progressive rates ranging from 9% to 12% (six months ended 30 June 2014: 9% to 12%) on the estimated assessable profit for the period.

Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25% (six months ended 30 June 2014: 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 both periods.

6. Dividends

	Six months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Dividends recognised as distribution during the period:		
2014 Final dividend — HK2.3 cents per share	4,600	—

During the six months ended 30 June 2015, the Company did not declare/propose any dividend for distribution.

For the six months ended 30 June 2015

7. (Loss) Earning Per Share

The calculation of the basic (loss) earning per share for the six months ended 30 June 2015 is based on the loss for the period attributable to owners of the Company and the weighted average number of 200,000,000 (six months ended 30 June 2014: 200,000,000) ordinary shares in issue during the period.

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

8. Property, Plant and Equipment

During the six months ended 30 June 2015, the Group spent HK\$11,396,000 (six months ended 30 June 2014: HK\$6,638,000) 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 30.6.2015 HK\$'000 (unaudited)	At 31.12.2014 HK\$'000 (audited)
Within 30 days	45,579	43,667
31 to 60 days	2,613	3,294
61 to 90 days	2,964	2,503
Over 90 days	2,072	2,350
	53,228	51,814

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

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 30.6.2015 HK\$'000 (unaudited)	At 31.12.2014 HK\$'000 (audited)
Within 30 days	3,007	5,819
31 to 60 days	813	32
61 to 90 days	801	3
Over 90 days	187	302
	4,808	6,156

The average credit period of trade payables is 30 days.

11. Share Capital

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

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	500,000,000	5,000
Issued and fully paid:		
At 1 January 2014, 30 June 2014, 1 January 2015 and 30 June 2015	200,000,000	2,000

There were no changes in the Company's authorised, issued and fully paid share capital during both periods.

For the six months ended 30 June 2015

12. 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 parties	Nature of transactions	Six months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Becking Investment Limited ("Becking Investment") (note)	Rental expense	216	216
Mr. Chong Hok Shan	Rental expense	257	180

Note: Becking Investment is wholly-owned by Mr. Chong Hok Shan, Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles, the shareholders of the Company.

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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Fees, salaries and allowances	4,207	4,158
Retirement benefit scheme contributions	195	140
	4,402	4,298

GENERAL INFORMATION

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

As at 30 June 2015, the interests of the directors of the Company in the shares of the Company, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (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:

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	Interest held by controlled corporation	1	24,261,153	12.13%
	Interest held by spouse	2	1,670,000	0.84%
			25,931,153	12.97%
Mr. Chu Chun Ho, Dominic	Beneficial owner		1,713,091	0.86%
Mr. Chu Chun Wah, Haeta	Beneficial owner		1,631,289	0.82%
Mr. Chong Hot Hoi	Beneficial owner		28,566,163	14.28%
Mr. Chong Hok Hei, Charles	Beneficial owner		28,566,164	14.28%

Notes:

- (1) These 24,261,153 shares were held by Come Good Investment (BVI) Limited, a controlled corporation 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 1,670,000 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.

⁺ 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 2015.

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

Save as disclosed above, as at 30 June 2015, 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.

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 2015, 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	Note	Number of the Company's shares interested	Percentage* of the Company's issued share capital
Mr. Chong Hok Shan	Beneficial owner		28,556,162	14.29%
	Interest held by spouse	1	187,764	0.09%
			28,753,926	14.38%
Come Good Investment (BVI) Limited	Beneficial owner	2	24,261,153	12.13%

Notes:

(1) These 187,764 shares were held by Ms. Wu Se, the wife of Mr. Chong Hok Shan. Accordingly, Mr. Chong was deemed to be interested in these shares of the Company pursuant to the SFO.

(2) The above interest of Come Good Investment (BVI) Limited was also disclosed as the interest of Mr. Chu Siu Ming, an executive director of the Company, in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

* 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 2015.

Save as disclosed above, as at 30 June 2015, 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 of the Company after deduction of the underwriting fees and commissions and 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 of the Company and 30 June 2015, 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 2015, the Group used net proceeds of approximately HK\$85.4 million, of which approximately HK\$31.3 million was used for opening new retail outlets in Hong Kong, Taiwan and the Mainland China, approximately HK\$23.0 million was used to settle outstanding amounts due to then shareholders and amount due to then immediate holding company, approximately HK\$10.5 million was used for renovating the retail outlets in Hong Kong and Taiwan, approximately HK\$2.8 million was used for upgrading information technology systems, approximately HK\$6.6 million was used for revamping logistics facilities in Hong Kong and Taiwan, approximately HK\$6.6 million was used for marketing and promotion, and approximately HK\$4.6 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 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 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.

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 as follow: Mr. Chong Hot Hoi was appointed as the Chairman and a director, and Mr. Chong Hok Hei, Charles was appointed as a director of Alpha Peak Leisure Inc. (a company listed on the TSX Venture Exchange in Canada; stock code: AAP) in June 2015.

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 2015 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.