

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



S. CULTURE INTERNATIONAL HOLDINGS LIMITED

港大零售國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1255)

ANNOUNCEMENT PURSUANT TO RULE 3.7 OF THE TAKEOVERS CODE, RULE 13.09 OF THE LISTING RULES AND INSIDE INFORMATION PROVISIONS UNDER PART XIVA OF THE SECURITIES AND FUTURES ORDINANCE AND RESUMPTION OF TRADING

This announcement is made pursuant to Rule 3.7 of The Code on Takeovers and Mergers (the “**Takeovers Code**”), Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of S. Culture International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) was informed by various shareholders of the Company (the “**Selling Shareholders**”) that they had entered into a memorandum of understanding (the “**MOU**”) with an independent third party (the “**Potential Purchaser**”) on 8 December 2016 (after trading hours) regarding the possible disposal of not less than 116,814,797 ordinary shares (the “**Sale Shares**”) in the share capital of the Company (“**Share(s)**”) held by the Selling Shareholders to the Potential Purchaser, representing approximately 58.41% of the entire issued share capital of the Company as at the date of this announcement (the “**Possible Transaction**”). To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Potential Purchaser and its ultimate beneficial owner are third parties independent to, and not connected with, the Company, its Directors, chief executive, substantial shareholders, subsidiaries and associates.

As at the date of this announcement, the Company has 200,000,000 ordinary shares in issue. Save for the aforesaid, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as at the date hereof. The Selling Shareholders are currently interested in an aggregate of 116,814,797 Shares, details of which are as follows:

Name of the Selling Shareholders	Number of the Sale Shares	Approximate percentage of the Company's issued share capital
Mr. Chong Hok Shan (<i>Notes 1 & 4</i>)	28,566,162	14.28%
Mr. Chong Hot Hoi (<i>Note 2</i>)	28,566,163	14.28%
Mr. Chong Hok Hei, Charles (<i>Note 3</i>)	28,566,164	14.28%
Ms. Wu Se (<i>Note 4</i>)	187,764	0.09%
Come Good Investment (BVI) Limited (<i>Note 5</i>)	24,261,153	12.13%
Ms. Wong May Heung (<i>Note 6</i>)	1,670,000	0.84%
Ms. Chu Yuen Fan, Peggie (<i>Notes 5 & 7</i>)	1,653,011	0.83%
Mr. Chu Chun Ho, Dominic (<i>Notes 5 & 8</i>)	1,713,091	0.86%
Mr. Chu Chun Wah, Haeta (<i>Notes 5 & 9</i>)	<u>1,631,289</u>	<u>0.82%</u>
	Total: <u><u>116,814,797</u></u>	<u><u>58.41%</u></u>

Notes:

1. Mr. Chong Hok Shan is the brother of Mr. Chong Hot Hoi and Mr. Chong Hok Hei, Charles.
2. Mr. Chong Hot Hoi is the non-executive Director and chairman of the Board.
3. Mr. Chong Hok Hei, Charles is the non-executive Director.
4. Ms. Wu Se is the wife of Mr. Chong Hok Shan.
5. Come Good Investment (BVI) Limited is wholly-owned by Mr. Chu Siu Ming (“**Mr. Chu**”), an executive Director and the vice-chairman of the Board. Mr. Chu is the father of Mr. Chu Chun Ho, Dominic, Mr. Chu Chun Wah, Haeta and Ms. Chu Yuen Fan, Peggie.
6. Ms. Wong May Heung is the spouse of Mr. Chu.
7. Ms. Chu Yuen Fan, Peggie is a director of business relations of the Company.
8. Mr. Chu Chun Ho, Dominic is the executive Director and co-chief executive officer of the Company.
9. Mr. Chu Chun Wah, Haeta is the executive Director and co-chief executive officer of the Company.

THE MOU

The Potential Purchaser has paid a sum of HK\$15,000,000 as earnest money (the “**Earnest Money**”) to the Selling Shareholders upon signing of the MOU, which was held in an escrow account by the Selling Shareholders’ legal adviser as the stakeholder.

In respect of the Earnest Money, the parties to the MOU shall adhere to the following provisions:

- (1) if the parties thereto enter into a binding formal sale and purchase agreement in respect of the Possible Transaction (the “SPA”), the Earnest Money shall be used as a part payment of the consideration to be paid by the Potential Purchaser to the Selling Shareholders; or
- (2) if (a) there is any discrepancy, which is discovered by the Potential Purchaser’s accountants during the Due Diligence (as defined below), exceeding 20% for any of the (i) net asset value, (ii) sales and (iii) net profits after taxation as set out in the audited consolidated financial statement of the Company for the year ended 31 December 2015; or (b) the Potential Purchaser decides not to proceed with the negotiation of the SPA based on the matters discovered during the Due Diligence (as defined below) which it cannot accept in principle, such matters shall be limited only to (i) any defect in title to the Sale Shares which are incapable of rectification and (ii) any material non-compliance with the applicable laws and regulations which may constitute an offence of fraud or which are incapable of rectification and whereupon conviction by the relevant authorities, such conviction may carry penalties or fines at a sum more than 20% of the intended purchase price for the Sale Shares under the MOU or if convicted may be subject to a sentence of imprisonment for not less than 2 months, the Earnest Money shall be refunded to the Potential Purchaser (without interest) within 7 days of the date of the notice of termination; or
- (3) if the Selling Shareholders demand in writing for an increase to the intended purchase price under the MOU or refuse to sell the Sale Shares at the intended purchase price under the MOU and as a result of which the SPA is not executed by the expiry of the Exclusivity Period (as defined below), the Potential Purchaser shall be entitled to a refund of the Earnest Money together with an additional amount equal to 20% of the Earnest Money as an agreed compensation; or
- (4) if the Selling Shareholders have fulfilled their obligations during the Due Diligence (as defined below) and, the Potential Purchaser refuses to execute the SPA by the expiry of the Exclusivity Period (as defined below) other than due to the reasons in paragraphs (2) and/or (3) above, the Selling Shareholders shall be entitled to forfeit the Earnest Money upon the termination of the MOU.

As stated in the MOU, subject to further negotiations among the parties to the MOU on terms and conditions of the Possible Transaction, the Selling Shareholders and the Potential Purchaser agreed to negotiate solely and exclusively with each other in respect of the Possible Transaction during the period from the date of the MOU to 13 January 2017 (the “**Exclusivity Period**”). Pursuant to the terms of the MOU, the Potential Purchaser is entitled to conduct and finish due diligence review on the Group (“**Due Diligence**”) within the Exclusivity Period.

The provisions of the MOU in relation to, among others, the Earnest Money, the Exclusivity Period, the Due Diligence, confidentiality and governing law and jurisdiction are legally binding. Save and except for these provisions, other provisions of the MOU do not have any legally binding effect.

If the Possible Transaction materialises, it will lead to a change in control of the Company and the Potential Purchaser may be required to make a mandatory general offer for all issued shares other than those already owned or agreed to be acquired by the Potential Purchaser and parties acting in concert with it under Rule 26.1 of the Takeovers Code. As at the date of this

announcement, no formal agreements have been entered into in respect of the Possible Transaction, and the discussion is still in progress and the Possible Transaction may or may not proceed.

MONTHLY UPDATE

In compliance with Rule 3.7 of the Takeovers Code, monthly announcement(s) setting out the progress of the SPA will be made until announcement of firm intention to make an offer under Rule 3.5 of the Takeovers Code or of a decision not to proceed with an offer is made. Further announcement(s) will be made by the Company as and when appropriate or required in accordance with the Listing Rules and the Takeovers Code (as the case may be).

DEALING DISCLOSURE

For the purposes of the Takeovers Code, the offer period has commenced on the date of this announcement, being 9 December 2016. The associates (as defined in the Takeovers Code including but not limited to any person holding 5% or more of a class of relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code)) of the Company are hereby reminded to disclose their dealings in any relevant securities of the Company under Rule 22 of the Takeovers Code.

RESPONSIBILITIES OF STOCKBROKERS, BANKS AND OTHER INTERMEDIARIES

In accordance with Rule 3.8 of the Takeovers Code, reproduced below is the full text of Note 11 to Rule 22 of the Takeovers Code:

“Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant Rules. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than \$1 million.

This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.

Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”

WARNINGS: There is no assurance that the Possible Transaction will materialise or eventually be consummated and the relevant discussions may or may not lead to a general offer under Rule 26.1 of Takeovers Code. The Possible Transaction, therefore, may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted from 9:00 a.m. on 9 December 2016 pending the release of this announcement. The Company has applied to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 12 December 2016.

By Order of the Board
S. Culture International Holdings Limited
Chow Wing Hang, John
Company Secretary

Hong Kong, 9 December 2016

As at the date of this announcement, our Executive Directors are Mr. Chu Siu Ming, Mr. Chu Chun Ho, Dominic and Mr. Chu Chun Wah, Haeta, the non-executive Directors are Mr. Chong Hot Hoi, Mr. Chong Hok Hei, Charles and Mr. Yu Fuk Lun, and the independent non-executive Directors are Mr. Wan Kam To, Mr. Yau Tat Wang, Dennis and Mr. Lam Man Tin.

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.