S. CULTURE INTERNATIONAL HOLDINGS LIMITED

S. CULTURE INTERNATIONAL HOLDINGS LIMITED

港大零售國際控股有限公司

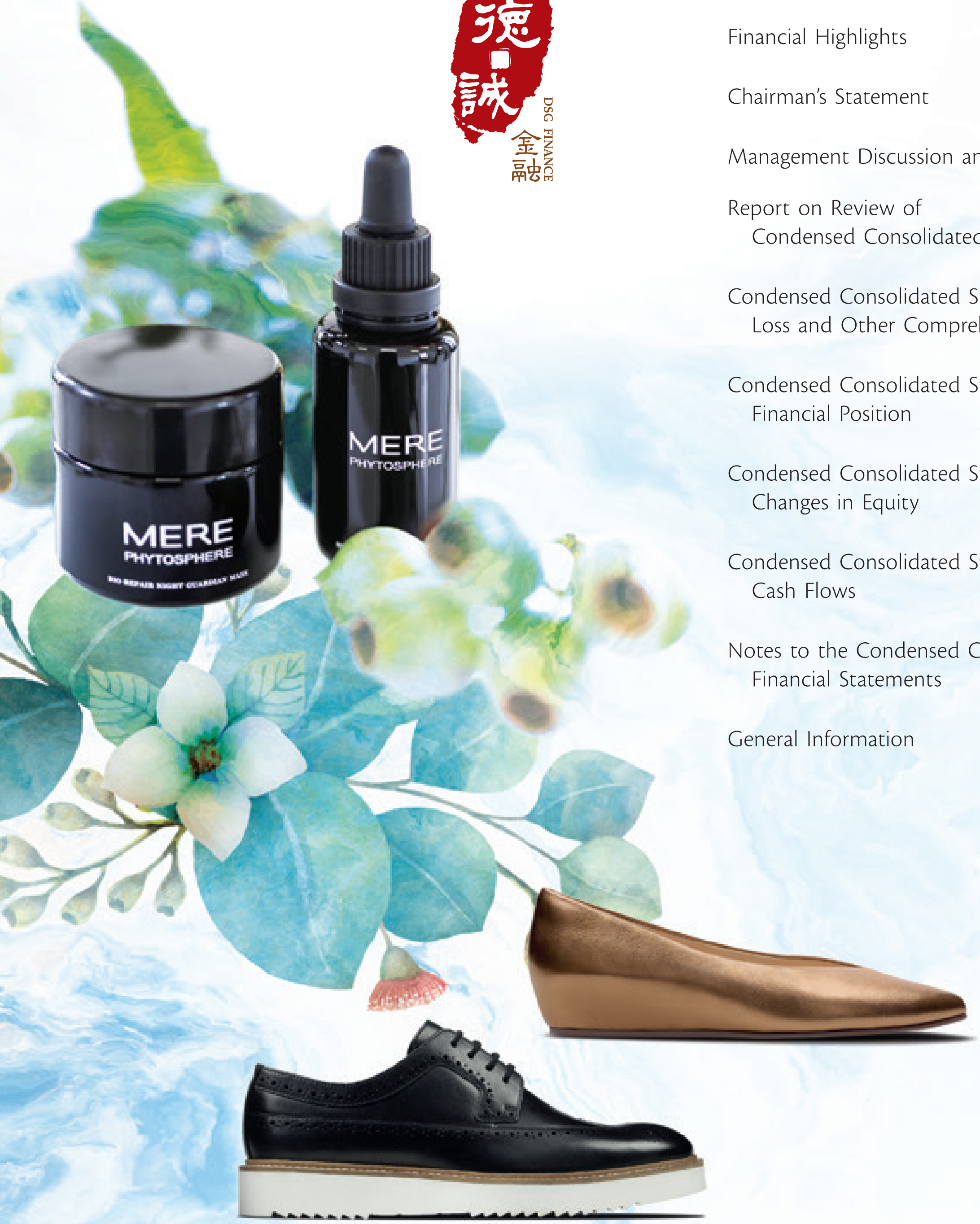
(Incorporated in the Cayman Islands with limited liability)

Stock code: 1255

2020
INTERIM REPORT

DSG FINANCE
金融

CONTENTS



CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Yang Jun *(Chairman)*
Mr. Lai Wenjing

Non-executive Directors

Mr. Lin Zheming
Mr. Law Fei Shing
Mr. Lin Jun
Mr. Chu Chun Ho, Dominic
Mr. Chen Anhua

Independent Non-executive Directors

Mr. Xie Rongxing
Mr. Lum Pak Sum
Prof. Yan Haifeng
Ms. Tan Yuying

Audit Committee

Mr. Lum Pak Sum *(Chairman)*
Mr. Xie Rongxing
Prof. Yan Haifeng

Remuneration Committee

Prof. Yan Haifeng *(Chairman)*
Mr. Xie Rongxing
Mr. Yang Jun

Nomination Committee

Mr. Yang Jun *(Chairman)*
Mr. Xie Rongxing
Prof. Yan Haifeng

Authorized Representatives

Mr. Lai Wenjing
Mr. Wong Tin Yu

Company Secretary

Mr. Wong Tin Yu

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

Flat F–J, 11th Floor
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

CFN Lawyers
27/F, Neich Tower
128 Gloucester Road
Wanchai, Hong Kong

Auditor

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

Cayman Share Registrar

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

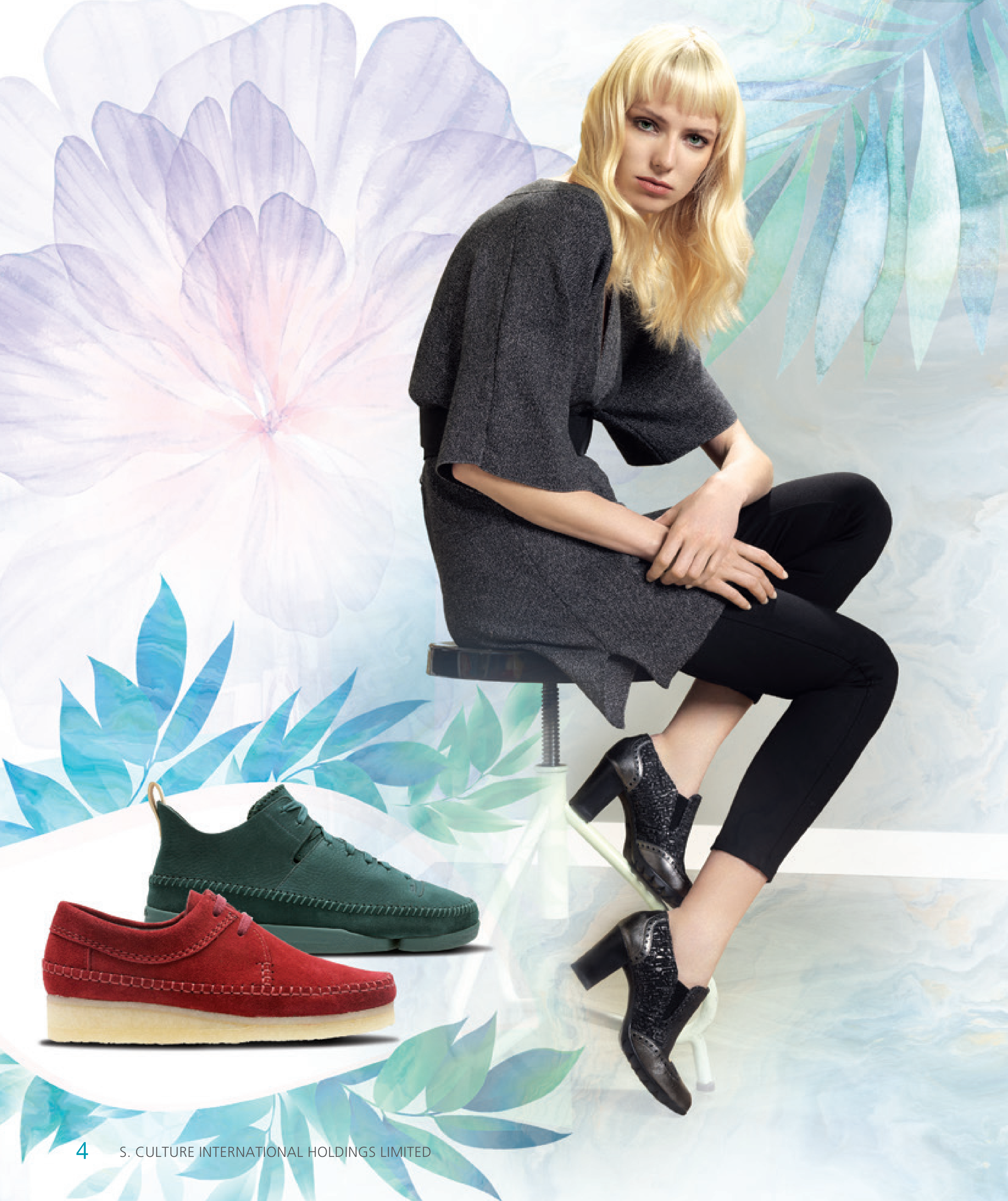
Bangkok Bank Public Company Limited
Hang Seng Bank Limited
National Australia Bank Limited

FINANCIAL HIGHLIGHTS

		For the six months ended 30 June	
		2020	2019
Revenue	HK$'000	**79,099**	191,670
Gross profit	HK$'000	**11,130**	114,472
Loss before taxation	HK$'000	**(93,831)**	(2,434)
Loss attributable to owners of the Company	HK$'000	**(85,243)**	(3,155)
Gross profit margin	%	**14.1**	59.7
Loss margin attributable to owners of the Company	%	**(107.8)**	(1.6)
Loss per share — basic and diluted	HK$	**(0.398)**	(0.015)

	As at	
	30 June 2020	31 December 2019
Current ratio	**1.5 times**	2.2 times
Gearing ratio (total debt to total equity)	**75.7%**	37.4%
Average trade receivables turnover period	**32.4 days**	23.0 days
Average trade payables turnover period	**9.3 days**	22.2 days
Average inventory turnover period	**286.1 days**	347.8 days

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of S. Culture International Holdings Limited. ("S. Culture" or the "Company", together with its subsidiaries, the "Group"), I hereby present the Group's interim results for the six months ended 30 June 2020 (the "Reporting Period").

According to the data from the Hong Kong Tourism Board, under the 2019 Novel Coronavirus ("COVID-19") pandemic, visitor arrivals to Hong Kong in the first half of 2020 decreased nearly 90% year-on-year to approximately 3.5 million. The number of Mainland visitors to Hong Kong decreased over 90% year-on-year to approximately 2.7 million. The significant decrease in visitors to Hong Kong directly impacted the Group's footwear retail business. During the Reporting Period, the footwear business recorded a revenue of approximately HK$66.9 million, representing a decrease of 56.4% as compared to the corresponding period in 2019.

Under the impact of this pandemic, consumers have become more cautious amid the deteriorating global economy. The healthcare business as another major source of revenue for the Group has also been affected. During the Reporting Period, revenue from such business segment amounted to approximately HK$3.8 million. Nevertheless, with an optimistic view towards China's future healthcare market, the Group will continue to increase investment in this business segment, mainly by investing in Zebra, the cross-border e-commerce platform engaged by the Group, and in the cooperation with AXS, a mainstream healthcare product brand in Australia, so as to continue promoting profitable and popular natural healthcare products.

For the financial services business, with the planning and optimization of resources in the market of Singapore through internal restructuring last year, this segment recorded a revenue of approximately HK$8.1 million during the Reporting Period.

In addition, the Group's online medical services segment, as a crucial part of strategic transformation towards the big health industry, is still at its early stage. On the basis of completing the establishment of a one-stop Internet hospital platform, a total revenue of approximately HK$0.3 million was recorded during the Reporting Period.

As highlighted above, under the influences of the global macroeconomic environment, the performance of the Group during the Reporting Period has declined significantly as compared to the corresponding period in 2019. Therefore, in 2020, the Group will be prudent in operation, increase sources of revenue and reduce expenditure, continue to develop a big health strategy and maintain stable operation of the original businesses.

By Order of the Board
S. Culture International Holdings Limited
Yang Jun
Chairman

31 August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

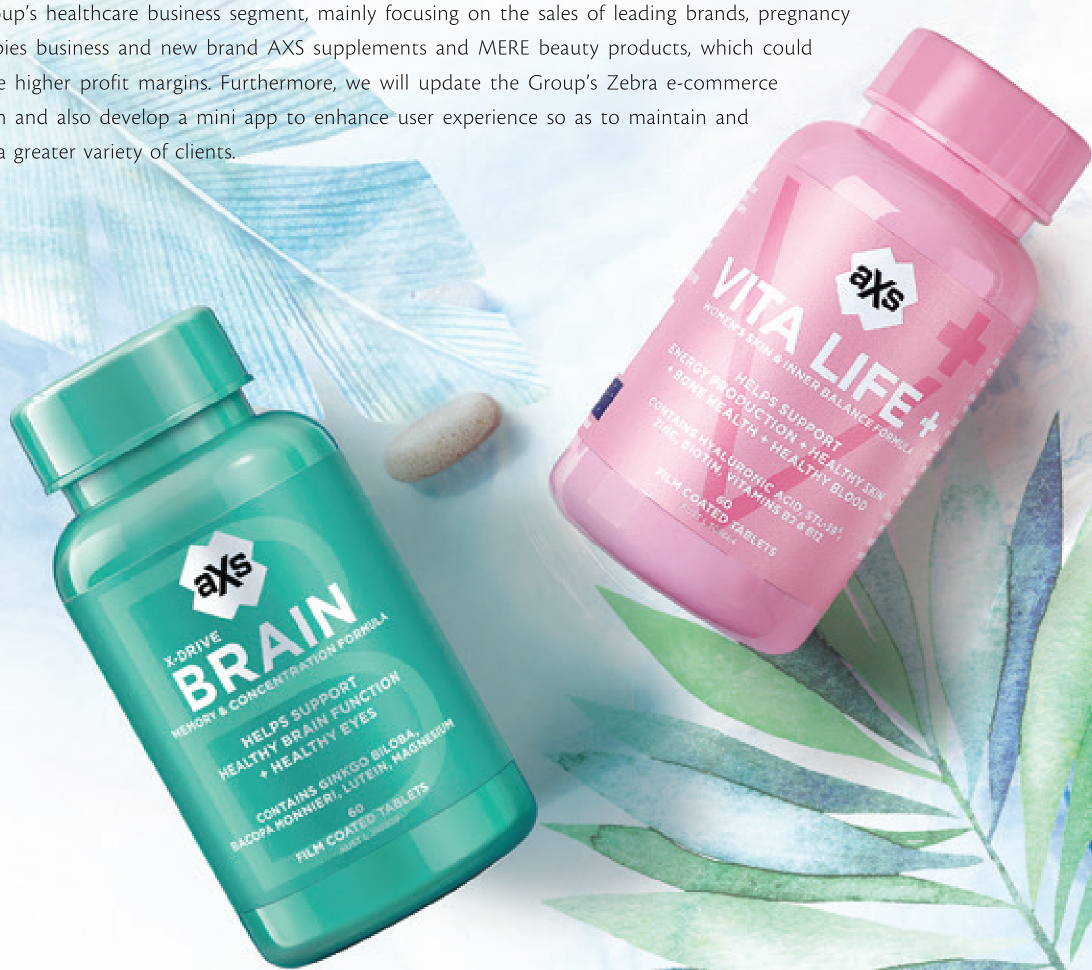
Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK$66.9 million, representing a 56.4% decrease from approximately HK$153.4 million for the even period of 2019. We had recorded a same store sales decline of approximately 47.5% during the Reporting Period (30 June 2019: 2.3%). This was mainly due to the weak retail climate in Hong Kong, as a result of the continuous decline in the number of visitors to Hong Kong and the severe adverse impact of the unprecedented COVID-19 pandemic since January 2020.

Healthcare Business

The healthcare business segment, being a new family member of the Group, has been in operation for over one year now, and had contributed to approximately 15.0% of the Group's turnover in 2019. However, the revenue of the healthcare business segment for the Reporting Period was just approximately HK$3.8 million (30 June 2019: HK$28.7 million), while segment loss for the Reporting Period was approximately HK$2.7 million. Such decrease was mainly due to the drop in sales as a result of the outbreak of COVID-19 during the Reporting Period.

Taking into account of the current COVID-19 pandemic, we will keep optimizing the product structure of the Group's healthcare business segment, mainly focusing on the sales of leading brands, pregnancy and babies business and new brand AXS supplements and MERE beauty products, which could generate higher profit margins. Furthermore, we will update the Group's Zebra e-commerce platform and also develop a mini app to enhance user experience so as to maintain and attract a greater variety of clients.



Financial Services Business

The operating revenue of DSG Finance Holdings (Hong Kong) Limited and its subsidiaries (collectively, the "DSG Group") derives from: (i) advisory services in securities; (ii) investment management services; and (iii) advisory services in corporate finance. As the COVID-19 pandemic has seriously disrupted a wide range of Hong Kong's economic activities, the economic recession deepened in the first half of 2020. Nonetheless, the total revenue of the DSG Group during the Reporting Period had only decreased slightly as compared to the even period of 2019 to approximately HK$8.1 million (30 June 2019: approximately HK$9.6 million).

During the Reporting Period, although the sales revenue was not seriously affected by the COVID-19 pandemic, the DSG Group still recorded a net loss of approximately HK$15 million, which was mainly due to the impairment of leased properties, goodwill and intangible assets amounting to approximately HK$0.4 million, HK$4.0 million and HK$7.4 million, respectively (the "Impairment").

Online Medical Services Business

The online medical services business was a new business segment invested by the Group in the People's Republic of China (the "PRC") during the second half of 2019. In February 2020, Shangying Internet Medical (Shanghai) Co. Limited ("SY Internet Medical"), an indirect non-wholly owned subsidiary of the Company, jointly established "Fever Consultation Platform of Shanghai" (a WeChat Mini Program called "Novel Coronavirus Workshop") with Shanghai Xuhui District Central Hospital under the guidance of the Shanghai Municipal Health Commission, providing high-quality advisory and consultation for treating COVID-19. Further, after obtaining the internet hospital license in Shanghai last year, SY Internet Medical obtained approval on the setting up of Shanghai Tongzhou Gongji Internet Hospital (上海同舟共濟互聯網醫院) (the "Internet Hospital") on 25 February 2020, which will be supported by Shanghai Tongji Hospital. As at the end of the Reporting Period, the Internet Hospital has become a one-stop online medical platform with comprehensive and deep cooperation with the three major university hospitals in Shanghai. For further details of the development of the Group's online medical services business, please refer to the announcements of the Company dated 3 February 2020 and 28 February 2020, respectively.

As the online medical services business is currently still in its start-up stage, during the Reporting Period, the recognised revenue of this business segment was approximately HK$0.3 million (30 June 2019: Nil, as the business only commenced its operation since August 2019), while a segment loss for the Reporting Period was approximately HK$11.3 million, which was mainly due to the short operation period of this business segment and high start-up costs. By the end of Reporting Period, the cumulative number of registered users of the Internet Hospital and orders reached were approximately 42,000 and 6,600, respectively.

Prospects

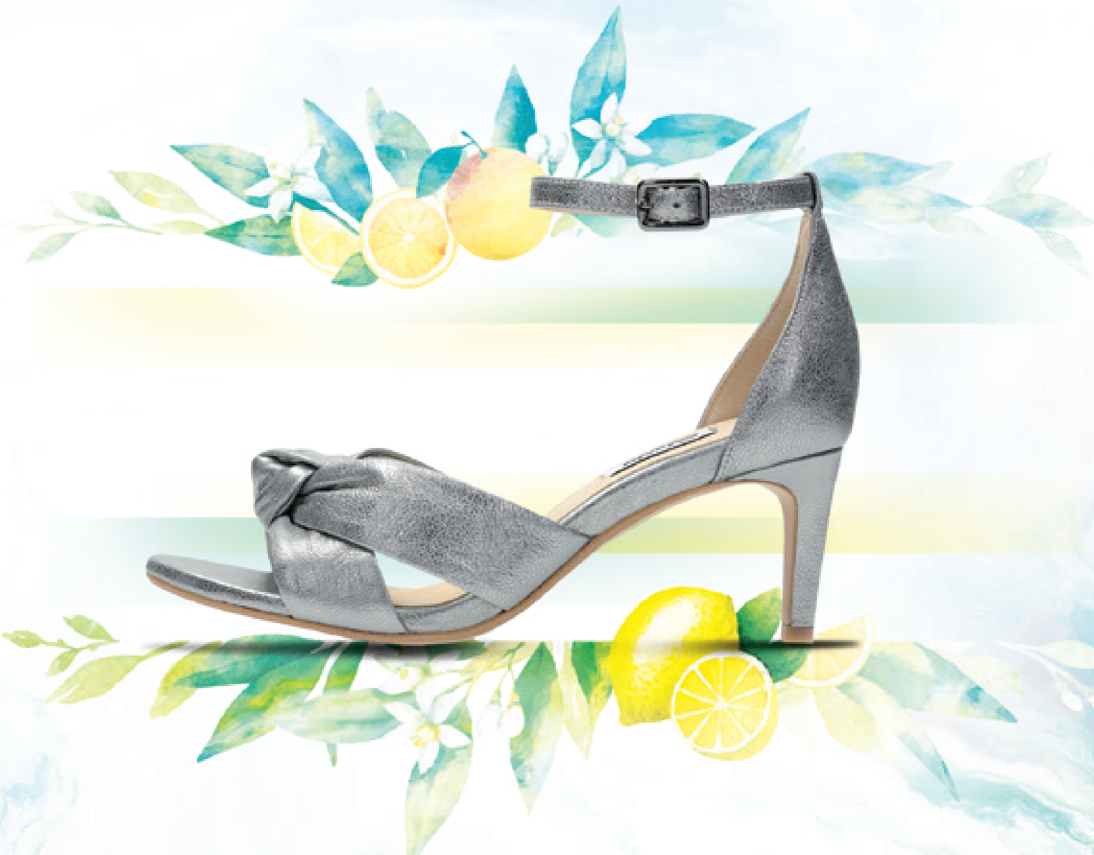
According to the data from the Hong Kong Tourism Board, due to the impact of COVID-19, Hong Kong had only approximately 3.52 million visitors during the first half of 2020, representing a year-on-year decrease of nearly 90%, whereas the number of mainland visitors to Hong Kong was approximately 2.68 million, also representing a year-on-year decrease of more than 90%. In the first quarter of 2020 alone, Hong Kong's retail sales fell by 36.9% year-on-year, which is the largest quarterly decline on record. The Group's footwear business is expected to be under pressure continuously during the second half of 2020.

In terms of the financial services business, due to the expected deterioration of economic condition caused by the external environment, in accordance with applicable accounting standards, the Group recognised the Impairment generated from the acquisition of the DSG Group with reference to the estimated valuation analysis on the financial services business segment of the Group carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent third-party valuer. Nonetheless, the Impairment had no impact on the cashflow of the Group. Looking forward, given the potential of the Singapore market and the Group's optimization of resources through internal restructuring last year, the financial services business will continue to focus on developing financing consultancy and seek further opportunities in Singapore during the second half of 2020.

Although the online medical services business is still in its expansion and start-up stage, with the improvement of market channels and the accumulation of users, the revenue of this business segment is expected to achieve a considerable growth during the second half of 2020.

In terms of the healthcare business in Australia, the Zebra e-platform has been engaged to provide Australian health products to small to medium-sized B2C e-commerce platforms and the Group's purchasing agent in the PRC. Based on studies provided by Tenba Group and TMO Group, China's retail imports of cross-border China Border E-commerce (CBEC) reached approximately US$88.6 billion in 2019, and small to medium-sized B2C e-commerce platforms accounted for approximately 17.5% of the total market share in 2019. In light of this, it is expected that there will be a huge room for the Group to expand its current business. Moreover, the Group plans to expand its healthcare business from Australia to other markets in order to increase this segment's revenue and profit as and when appropriate, thereby diversifying the healthcare business segment as a whole.

Overall, the performance of the Group was seriously affected by the macro environment and had declined significantly compared with the even period of 2019. Therefore, for the remainder of 2020, the Group will operate cautiously, and aim to increase revenue, reduce expenditure, seek new business opportunities and maintain the continuity and stability of its current business segments.



Financial Review

Revenue

Revenue of the Group's businesses for the Reporting Period was approximately HK$79.1 million, representing a 58.7% decrease from approximately HK$191.7 million of the even period of 2019.

Revenue from the Footwear Business

Revenue of the Group's footwear business for the Reporting Period was approximately HK$66.9 million, representing a 56.4% decrease from approximately HK$153.4 million for the even period of 2019. With regard to the sales of footwear products of the major brands under distribution agreements for the Reporting Period as compared with the even period of 2019, sales of "Clarks" footwear products, "Josef Seibel" footwear products, "The Flexx" footwear products and "Petite Jolie" footwear products had decreased by approximately 54.4%, 61.5%, 87.8% and 78.8%, respectively.

As at 30 June 2020, the Group operated 31 retail outlets in Hong Kong (30 June 2019: 41) and 1 retail outlet in Macau (30 June 2019: 2).

Revenue from the Financial Services Business

Revenue of the Group's financial services business for the Reporting Period was approximately HK$8.1 million (30 June 2019: approximately HK$9.6 million). The slight decrease in revenue was mainly due to the decrease of service fee income.

Revenue from the Healthcare Business

Revenue of the Group's healthcare business for the Reporting Period was approximately HK$3.8 million (30 June 2019: approximately HK$28.7 million). The main reason for the sales decrease compared with the even period of 2019 was due to the outbreak of COVID-19.

With regards to the sales of the major brands under distribution agreements for the Reporting Period, sales of "Aptamil" milk powder, "AXS" supplement products, "Bio Lands" supplement products and other leading brands supplement products represented approximately 26.2%, 19.3%, 16.9% and 37.6% of revenue from the healthcare business, respectively.

Revenue from the Online Medical Services Business

Revenue of the Group's online medical services business for the Reporting Period was approximately HK$0.3 million (30 June 2019: Nil), as the business only commenced its operation since August 2019.

Cost of Sales

Our cost of sales amounted to approximately HK$68.0 million for the Reporting Period, representing 85.9% of revenue (30 June 2019: approximately HK$77.2 million, representing 40.3% of revenue). The decrease in cost of sales was mainly due to the decrease in sales activities of the footwear and healthcare businesses, but the increase in cost of sales as a percentage of revenue was due to the allowance for inventories, net of reversal, with the amount of approximately HK$38.7 million, representing 56.9% of cost of sales.

Gross Profit

Gross profit (gross profit equals to revenue minus cost of sales) of the Group for the Reporting Period was approximately HK$11.1 million, representing a decrease of 90.3% from approximately HK$114.5 million of the even period of 2019. Gross profit margin of the Group for the Reporting Period was 14.1% (30 June 2019: 59.7%). Such decrease in gross profit margin was predominantly attributable to the decrease of average selling price for products of the footwear business and the allowance for inventories, net of reversal, with the amount of approximately HK$38.7 million, representing 48.9% of the Group's revenue.

Staff Costs

Staff costs for the Reporting Period were approximately HK$50.0 million, representing 63.3% of revenue (30 June 2019: approximately HK$48.8 million, representing 25.5% of revenue). The increase in staff costs was mainly due to the increase in the number of staff in the online medical services business as a result of an increase in the number of system establishment and the amount of start-up work as compared to the even year of 2019.

Depreciation

Depreciation accounted for 16.8% of revenue for the Reporting Period (30 June 2019: 7.5% of revenue).

Finance Costs

Our finance costs for the Reporting Period amounted to approximately HK$2.0 million (30 June 2019: approximately HK$1.2 million). The finance costs mainly consist of interest expenses incurred on the trade related financing facilities with banks, other borrowing and lease liabilities. The effective interest rates on the Group's borrowings during the Reporting Period ranged from 1.8% to 4.1% (30 June 2019: 3.1% to 4.0%).

The increase of finance costs was mainly due to the recognition of interest expenses arising from other borrowing with the amount of approximately HK$0.6 million for the Reporting Period.

Loss Before Taxation

As a result of the foregoing, our loss before taxation for the Reporting Period was approximately HK$93.8 million (30 June 2019: approximately HK$2.4 million).

Liquidity and Financial Resources

The Group finances its working capital with internally generated cash flows and bank borrowings. As at 30 June 2020, the Group had bank deposits and cash amounting to approximately HK$51.1 million (31 December 2019: approximately HK$46.8 million), representing an increase of 9.2% from 31 December 2019. Most bank deposits and cash were denominated in Hong Kong Dollars. As at 30 June 2020, the Group had short-term bank borrowings amounting to approximately HK$36.1 million (31 December 2019: approximately HK$36.1 million). As at 30 June 2020, the Group did not have any outstanding long-term bank borrowings, except for loans from a related company and other borrowing, which remained the same when compared to the amount as at 31 December 2019 (31 December 2019: approximately HK$13.5 million and HK$15.0 million, respectively).

Pledge of Assets

As at 30 June 2020, land and buildings, deposit and prepayment for a life insurance policy (31 December 2019: land and buildings, deposit and prepayment for a life insurance policy) were pledged to secure the bank borrowings and banking facilities granted to the Group.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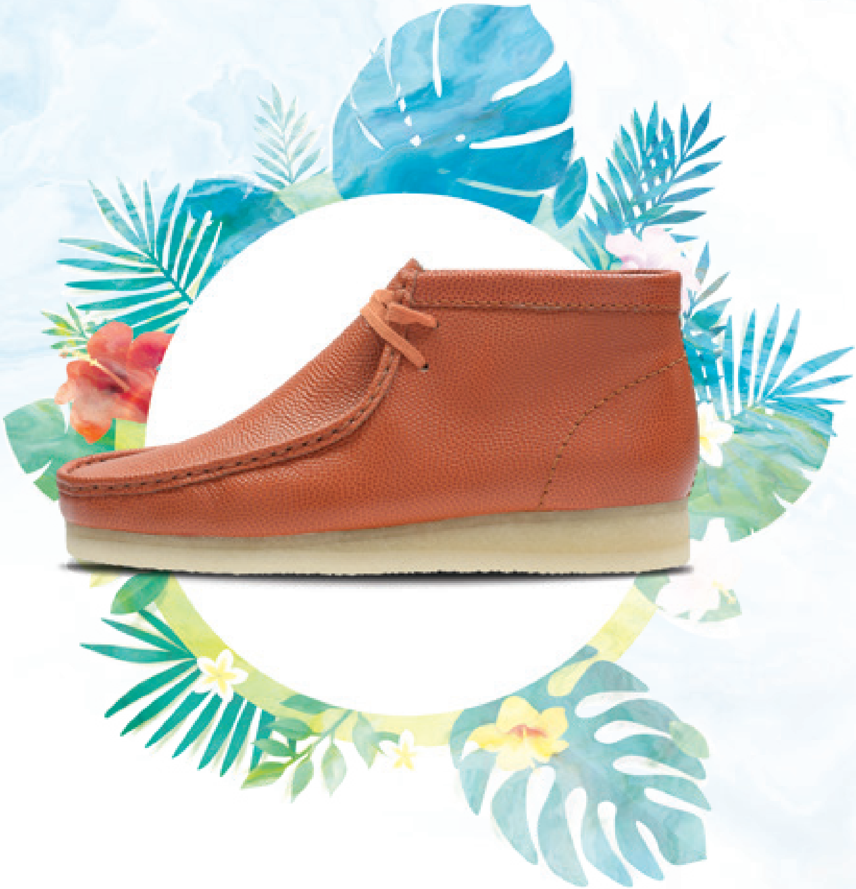

Contingent Liabilities

As of 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

Gearing Ratio

As at 30 June 2020, the Group's gearing ratio (total debt to total equity) was 75.7% (31 December 2019: 37.4%). The higher gearing ratio was mainly attributable to the decrease of non-current assets as a result of the Impairment and the decrease of current assets due to the allowance for inventories with the amount of approximately HK$38.7 million.

Advance to Entity

On 1 August 2018, Shang Ying Health Holdings Limited (an indirect wholly-owned subsidiary of the Company) ("SY Health"), as lender, entered into a loan agreement (the "Loan Agreement") with Century Health Holdings Co., Ltd. ("Century Health"), as borrower, pursuant to which SY Health had agreed to grant a secured loan to Century Health with a principal amount of AUD8,000,000 bearing interest at a rate of 2.5% per annum for a term of 3.5 years from the date of advance (the "Loan"), for the purpose of funding the health products business of Century Health and its subsidiaries (the "CH Group"). The Loan was secured by: (a) a first ranking security over all assets of Century Health; (b) a first ranking security over 90% of the entire issued share capital of Century Health held by Sixth Avenue Group Holdings Pty Ltd.; and (c) personal guarantees held by certain key individuals of CH Group. For further details, please refer to the announcement of the Company dated 1 August 2018. As at 30 June 2020, the Loan has not yet been advanced, while a separate loan in the principal amount of AUD100,000 had been advanced to CH Group.

Leased Properties, Goodwill and Intangible Assets Impairment

Circumstances leading to the Impairment:

Due to the COVID-19 pandemic, which led to a downturn in the financial market in Hong Kong in the first half of 2020, the DSG Group did not reach the expected sales target. The management of the Company therefore took a cautious strategy in the forecast of the DSG Group. Based on the said external factors, the forecast income target decreased accordingly, which led to a loss in valuation as compared with the even period of 2019.

The assets subject to the Impairment are the leased properties, goodwill and intangible assets arising from the acquisition of the DSG Group, as a result of the aforementioned external factors. As the DSG Group experienced negative business conditions, including decreased revenue, it indicated that the relevant property, plant and equipment, goodwill and intangible assets may be required to be further impaired.

The Board first formally discussed the circumstances and issues in relation to the Impairment during the first quarterly Board meeting of 2020. After deliberation, the Company reassessed the financial forecast based on a more conservative business strategy for the future, and engaged JLL to re-evaluate the valuation of the DSG Group in order to achieve a fair and reasonable assessment of the Impairment. The Company also issued the profit warning announcement on 18 August 2020, which emphasized the effects of the Impairment on the overall results of the Group.

During the Reporting Period, based on the valuation performed by JLL, it was determined that the value-in-use of cash-generating units in the DSG Group as provided by JLL was lower than its carrying value, resulting in the impairment of leased properties, goodwill and intangible assets amounting to approximately HK$0.4 million, HK$4.0 million and HK$7.4 million, respectively (six months ended 30 June 2019: Nil).

Valuation methodology conducted by JLL:

In order to assess the value-in-use of the DSG Group, JLL applied the income approach known as the discounted cash flow method.

The income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the asset than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar asset with a similar risk profile. This approach allows for the prospective valuation of future profits and has numerous empirical and theoretical justifications for the present value of expected future cash flows.

The discounted cash flow method eliminates the discrepancy in the time value of money by using a discount rate to reflect all business risks, including intrinsic and extrinsic uncertainties in relation to the DSG Group. Under this method, value depends on the present worth of future economic benefits to be derived from the projected sales income. Indications of value have been developed by discounting projected future net cash flows available for payment of investors' interest to their present worth at a discount rate, which in the Board's opinion is appropriate for the risk of the business.

In calculating the value-in-use of the DSG Group, cash flow projections covering a five-year period based on the most recent financial budgets approved by the management of the Company and a discount rate of 18.48% was used. For cash flows beyond the said five-year period, the cash flow projections have been extrapolated using an estimated constant growth rate of 2.5% which do not exceed the average growth rate for the relevant markets.

Key assumptions made by JLL:

In the course of assessing the value-in-use of the DSG Group, JLL made certain key assumptions, including but not limited to:

1) the valuation methodology was primarily based on the financial projects and latest historical financial information made available to JLL;

2) the financial information provided was prepared on a reasonable basis;

3) the DSG Group has, or will have, sufficient capital needs to achieve or contribute to its current and future production; and

4) there will be no material change in the core operations of the DSG Group.

In view of the above and after discussions with JLL, the Board is of the view that the Impairment was calculated in a fair and reasonable manner, and is an one-off and non-cash item, and has no effect on the cashflow of the Group.

Treasury Policy

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

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries, Associates and Joint Ventures and Future Plans for Significant Investments or Capital Asset Acquisitions

The Group had no significant investments held, nor any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period. As at 30 June 2020, the Group had no future plans for significant investments or capital asset acquisitions or acquisitions or disposals of subsidiaries, associates or joint ventures.

Capital Contribution into Shangying Hospital

On 7 February 2020, Hengying Trading (Shanghai) Co., Limited* (恒贏商貿（上海）有限公司) ("Hengying Trading", a wholly owned subsidiary of the Company), Shangying Global Co., Ltd. ("Shangying Global", a company listed on the Shanghai Stock Exchange, stock code: 600146), Shanghai Xinran Investment Management Consulting Co., Limited* (上海欣然投資管理諮詢有限公司) ("Shanghai Xinran") and Shangying Hospital Management (Shanghai) Company Limited* (商贏醫院管理（上海）有限公司) ("Shangying Hospital", a company owned by Hengying Trading, Shangying Global and Shanghai Xinran as to 52%, 39.65% and 8.35%, respectively) entered into a capital contribution agreement, pursuant to which Hengying Trading, Shangying Global and Shanghai Xinran injected an aggregate of RMB37.8 million into Shangying Hospital in proportion to their respective equity interests in Shangying Hospital (the "Capital Contribution"). After completion of the Capital Contribution, Shangying Hospital continued to be owned as to 52% by the Group, 39.65% by Shangying Global and 8.35% by Shanghai Xinran. The proceeds of the Capital Contribution were intended for the business operations of Shanghai Shangying Internet Hospital Co., Limited (上海商贏互聯網醫院有限公司), a company wholly owned by Shangying Hospital.

As Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling shareholder of the Company) was deemed as the de facto controller of Shangying Global, which was directly and indirectly interested as to 23.88% by Mr. Yang Jun together with his controlled companies, and he was a (i) general manager from December 2018 to April 2020; and (ii) director from January 2019 to April 2020, of Shangying Global, respectively. Shangying Hospital was thus a connected subsidiary of the Company.

* *The English translation is for reference of these official names in Chinese only.*

For further details of the Capital Contribution, please refer to the announcement of the Company dated 7 February 2020.

Proposed Change of Company Name

On 24 April 2020, the Board proposed to change the name of the Company from "S. Culture International Holdings Limited 港大零售國際控股有限公司" to "TATA Health International Holdings Limited TATA 健康國際控股有限公司" (the "Proposed Name Change"). On 18 June 2020, the special resolution approving the Proposed Name Change was passed at the annual general meeting of the Company. As at the date of this report, the Company still needs to obtain the approval of the Registrar of Companies in the Cayman Islands for the use by the Company of its proposed new name in order for the Proposed Name Change to become effective. For further details of the Proposed Name Change, please refer to the announcements of the Company dated 24 April 2020 and 18 June 2020 and the circular of the Company dated 29 April 2020, respectively.

Announcement pursuant to Rule 3.7 the Takeovers Code

On 7 May 2020, the Company had received a letter from Alvarez & Marsal Asia Limited regarding the appointment of Ms. Yeung Mei Lee and Ms. Wing Sze Tiffany Wong as joint and several receivers and managers (collectively, the "Receivers") over 119,993,617 shares of the Company (the "Charged Shares") held by Shang Ying Financial Holding Co., Limited (the "Borrower"), which had been charged to Great Wall International Investment X Limited. The Charged Shares represented approximately 56.07% of the issued share capital of the Company as at the date of this report, and the Company was given to understand that the Receivers may look for potential purchaser(s) for the Charged Shares (the "Possible Transaction"). For further details of the Possible Transaction, please refer to the announcements of the Company dated 8 May 2020, 12 May 2020, 12 June 2020, 13 July 2020, 13 August 2020 and 11 September 2020, respectively.

Foreign Currency Risks

The Group's sales and purchases for the Reporting Period were mostly denominated in Hong Kong dollars, Renminbi, Macau Pataca, Singapore dollars, Euros, US dollars and Australian dollars. Renminbi is not a freely convertible currency, and the currency market for Macau Pataca is relatively small and undeveloped. 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 geopolitical 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 also have an impact on the Group's results.

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group did not enter into any foreign currency forward contracts to hedge against foreign currency risk as at 30 June 2020.

Human Resources

As at 30 June 2020, the Group employed approximately 249 employees (31 December 2019: 257). Remuneration packages are generally structured with reference to prevailing market terms and individual qualifications and experience. During the Reporting Period, various training activities, such as training of product and service knowledge, management skills as well as local consumer laws, had been conducted to improve the performance of our staff members.

Dividends

The Board has resolved not to declare an interim dividend for the Reporting Period (2019: Nil).

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 set out on pages 18 to 36, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 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

31 August 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	**Six months ended 30.6.2020 HK$'000 (unaudited)**	30.6.2019 HK$'000 (unaudited)
Revenue	3	**79,099**	191,670
Cost of sales		**(67,969)**	(77,198)
Gross profit		**11,130**	114,472
Other income		**4,621**	438
Other gains and losses	5	**(265)**	1,767
Impairment loss on			
property, plant and equipment	11	**(1,834)**	—
goodwill	11	**(3,956)**	—
intangible assets	11	**(7,388)**	—
Impairment loss under expected credit loss model, net of reversal	6	**(54)**	—
Selling and distribution costs		**(40,536)**	(72,813)
Administrative expenses		**(53,508)**	(45,050)
Finance costs		**(2,041)**	(1,248)
Loss before taxation	7	**(93,831)**	(2,434)
Taxation	8	**(1,697)**	(652)
Loss for the period		**(95,528)**	(3,086)
Other comprehensive income			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**304**	110
Total comprehensive expense for the period		**(95,224)**	(2,976)
(Loss) profit for the period attributable to:			
Owners of the Company		**(85,243)**	(3,155)
Non-controlling interests		**(10,285)**	69
		(95,528)	(3,086)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(85,054)**	(3,045)
Non-controlling interests		**(10,170)**	69
		(95,224)	(2,976)
Loss per share — basic and diluted (HK$)	10	**(0.398)**	(0.015)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**At 30.6.2020 HK$'000 (unaudited)**	At 31.12.2019 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	11	**30,583**	46,771
Goodwill	11	**—**	3,956
Intangible assets	11	**21,903**	30,358
Interest in an associate		**—**	—
Loan to an associate		**497**	546
Deferred tax assets		**7,856**	10,713
Deposits paid for acquisition of property, plant and equipment		**1,633**	—
Deposit and prepayment for a life insurance policy		**1,908**	1,906
Rental deposits and prepayment		**3,414**	6,696
		67,794	100,946
Current assets			
Inventories		**81,876**	131,246
Trade and other receivables	12	**23,125**	39,272
Amount due from an associate		**1,046**	1,150
Taxation recoverable		**—**	18
Time deposits over three months		**20,217**	—
Bank balances and cash		**30,917**	46,820
		157,181	218,506
Current liabilities			
Trade and other payables	13	**28,786**	28,325
Contract liabilities		**219**	—
Amount due to an associate		**8,829**	7,274
Amount due to immediate holding company		**6,667**	3,393
Amount due to a related company		**514**	762
Taxation payable		**752**	711
Deferred income		**3,127**	—
Lease liabilities		**17,932**	24,047
Bank borrowings — due within one year		**36,102**	36,068
		102,928	100,580
Net current assets		**54,253**	117,926
Total assets less current liabilities		**122,047**	218,872

At 30 June 2020

	Note	At 30.6.2020 HK$'000 (unaudited)	At 31.12.2019 HK$'000 (audited)
Non-current liabilities			
Lease liabilities		**5,758**	14,216
Loans from a related company		**13,499**	13,462
Other borrowing — due after one year		**15,000**	15,000
Deferred tax liabilities		**2,448**	3,667
		36,705	46,345
Net assets		**85,342**	172,527
Capital and reserves			
Share capital	14	**2,140**	2,140
Reserves		**73,486**	158,489
Equity attributable to owners of the Company		**75,626**	160,629
Non-controlling interests		**9,716**	11,898
Total equity		**85,342**	172,527

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company										
	Share capital	Share premium	Special reserve	Legal reserve	Other reserve	Share-based compensation of a subsidiary	Translation reserve	Accumulated (losses) profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note a)	(Note b)	(Note c)						
At 1 January 2020 (audited)	2,140	147,131	15,800	12	1,323	376	558	(6,711)	160,629	11,898	172,527
Loss for the period	—	—	—	—	—	—	—	(85,243)	(85,243)	(10,285)	(95,528)
Exchanges difference on translation from functional currency to presentation currency and other comprehensive income for the period	—	—	—	—	—	—	189	—	189	115	304
Total comprehensive income (expense) for the period	—	—	—	—	—	—	189	(85,243)	(85,054)	(10,170)	(95,224)
Capital contribution from non-controlling interests	—	—	—	—	—	—	—	—	—	7,988	7,988
Recognition of equity-settled share-based payments	—	—	—	—	—	51	—	—	51	—	51
At 30 June 2020 (unaudited)	2,140	147,131	15,800	12	1,323	427	747	(91,954)	75,626	9,716	85,342
At 1 January 2019 (audited)	2,140	147,131	15,800	12	—	138	257	54,214	219,692	17,224	236,916
(Loss) profit for the period	—	—	—	—	—	—	—	(3,155)	(3,155)	69	(3,086)
Exchanges difference on translation from functional currency to presentation currency and other comprehensive income	—	—	—	—	—	—	110	—	110	—	110
Total comprehensive income (expense) for the period	—	—	—	—	—	—	110	(3,155)	(3,045)	69	(2,976)
Recognition of equity-settled share-based payments	—	—	—	—	—	114	—	—	114	—	114
At 30 June 2019 (unaudited)	2,140	147,131	15,800	12	—	252	367	51,059	216,761	17,293	234,054

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 a group reorganisation.

(b) As stipulated by the relevant laws and regulations in the Macau Special Administrative Region of the People's Republic of China ("Macau"), 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.

(c) The other reserve of the Group represents the deemed capital contribution arising from interest-free loans from a related company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Net cash from operating activities	**7,634**	29,408
Investing activities		
Interest received	**222**	5
Placement of time deposits over three months	**(20,217)**	—
Deposits paid for acquisition of property, plant and equipment	**(1,633)**	—
Purchase of property, plant and equipment	**(280)**	(2,351)
Advance to a director of a subsidiary	**—**	(2,200)
Net cash used in investing activities	**(21,908)**	(4,546)
Financing activities		
New bank borrowings raised	**18,220**	45,269
Advance from a related company	**11,957**	—
Capital contribution from non-controlling interests	**7,988**	—
Advance from immediate holding company	**3,274**	—
Advance from an associate	**1,684**	8,402
Repayment of bank borrowings	**(18,186)**	(59,142)
Repayment of lease liabilities	**(12,308)**	(12,733)
Repayment to a related company	**(13,094)**	—
Interest paid	**(1,140)**	(1,248)
Repayment to a director of a subsidiary	**—**	(9,912)
Repayment to immediate holding company	**—**	(3,366)
Net cash used in financing activities	**(1,605)**	(32,730)
Net decrease in cash and cash equivalents	**(15,879)**	(7,868)
Cash and cash equivalents at beginning of the period	**46,820**	28,835
Effect of foreign exchange rate changes	**(24)**	(25)
Cash and cash equivalents at end of the period, representing bank balances and cash	**30,917**	20,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

The outbreak of coronavirus disease ("COVID-19") and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts on the global economy, business environment and directly and indirectly affected the operations of the Group. Under these circumstances, the Group reduced the number of retail outlets during the current interim period. On the other hand, the Hong Kong government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. As such, the financial positions and performance of the Group were affected in different aspects, including reduction in revenue, government grants in respect of COVID-19-related subsidies and rent concessions from certain lessors as disclosed in the relevant notes.

2. Principal Accounting Policies

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standard and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendment to HKFRS 16 "COVID-19-Related Rent Concessions".

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2. Principal Accounting Policies (Continued)

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Impacts and accounting policies on early application of Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

2.2.1 Accounting policies

Leases

COVID-19-related rent concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "Leases" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

2.2.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening accumulated losses at 1 January 2020. The Group recognised changes in lease payments that resulted from rent concessions of HK$911,000 in the profit or loss for the current interim period.

2. Principal Accounting Policies (Continued)

2.3 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Revenue from contracts with customers

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Leases

The Group as a lessee

Lease modifications

Except for COVID-19-related rent concessions in which the Group applies the practical expedient, changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications. The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

3. Revenue

Disaggregation of revenue from contracts with customers

	Six months ended 30.6.2020 HK$'000 (unaudited)	Six months ended 30.6.2019 HK$'000 (unaudited)
Sales of goods		
Footwear products	**66,923**	153,433
Healthcare products	**3,762**	28,661
Financial services	**8,148**	9,576
Online medical services	**266**	—
	79,099	191,670
Sales of channel		
Retail	**64,903**	146,200
Wholesale	**2,020**	7,233
Internet	**4,028**	28,661
Corporate	**8,148**	9,576
	79,099	191,670
Time of revenue recognition		
A point in time	**71,335**	182,588
Over time	**7,764**	9,082
	79,099	191,670

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

3. Revenue (Continued)

Disaggregation of revenue from contracts with customers (Continued)

For the six months ended 30 June 2020 (unaudited)

	Segment revenue HK$'000	**Eliminations HK$'000**	**Consolidated HK$'000**
Footwear products	**66,923**	**—**	**66,923**
Healthcare products	**3,762**	**—**	**3,762**
Financial services	**8,776**	**(628)**	**8,148**
Online medical services	**266**	**—**	**266**
	79,727	**(628)**	**79,099**

For the six months ended 30 June 2019 (unaudited)

	Segment revenue HK$'000	Eliminations HK$'000	Consolidated HK$'000
Footwear products	153,433	—	153,433
Healthcare products	28,661	—	28,661
Financial services	10,080	(504)	9,576
	192,174	(504)	191,670

4. Operating Segment

Information reported to the executive directors of the Company, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable segments under HKFRS 8 "Operating Segments" are as follows:

1. Trading of footwear products
2. Trading of healthcare products
3. Financial services
4. Online medical services

No operating segments have been aggregated in arriving at the reportable segments of the Group.

For the six months ended 30 June 2020

4. Operating Segment (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2020 (unaudited)

	Trading of footwear products HK$'000	Trading of healthcare products HK$'000	Financial services HK$'000	Online medical services HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Revenue							
External sales	66,923	3,762	8,148	266	79,099	—	79,099
Inter-segment sales	—	—	628	—	628	(628)	—
	66,923	3,762	8,776	266	79,727	(628)	79,099
Segment results	(57,594)	(2,723)	(15,047)	(11,345)	(86,709)	—	(86,709)
Unallocated expenses							(7,122)
Loss before taxation							(93,831)

For the six months ended 30 June 2019 (unaudited)

	Trading of footwear products HK$'000	Trading of healthcare products HK$'000	Financial services HK$'000	Segment total HK$'000	Eliminations HK$'000	Total HK$'000
Revenue						
External sales	153,433	28,661	9,576	191,670	—	191,670
Inter-segment sales	—	—	504	504	(504)	—
	153,433	28,661	10,080	192,174	(504)	191,670
Segment results	645	194	163	1,002	—	1,002
Unallocated income						1,900
Unallocated expenses						(5,336)
Loss before taxation						(2,434)

Inter-segment sales are charged at prevailing market rates.

4. Operating Segment (Continued)

Geographical information

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

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Hong Kong	**72,131**	155,692
Australia	**3,762**	28,661
Macau	**2,854**	7,317
Mainland China	**266**	—
Singapore	**86**	—
	79,099	191,670

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the (loss) profit earned from each segment without allocation of central administration costs, change in fair value of investment properties and rental income. This is the measure reported to the CODM of the Company for the purpose of resource allocation and performance assessment.

4. Operating Segment (Continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	At 30.6.2020 HK$'000 (unaudited)	At 31.12.2019 HK$'000 (audited)
Segment assets		
Trading of footwear products	**173,257**	242,384
Trading of healthcare products	**4,638**	13,008
Financial services	**28,496**	44,774
Online medical services	**8,731**	7,314
Total reportable segment assets	**215,122**	307,480
Unallocated assets	**9,853**	11,972
Consolidated assets	**224,975**	319,452
Segment liabilities		
Trading of footwear products	**75,724**	87,338
Trading of healthcare products	**9,539**	9,405
Financial services	**3,703**	4,769
Online medical services	**8,654**	15,528
Total reportable segment liabilities	**97,620**	117,040
Unallocated liabilities	**42,013**	29,885
Consolidated liabilities	**139,633**	146,925

5. Other Gains and Losses

	Six months ended	
	30.6.2020 HK$'000 (unaudited)	30.6.2019 HK$'000 (unaudited)
Net exchange (loss) gain	**(265)**	67
Change in fair value of investment properties	**—**	1,700
	(265)	1,767

6. Impairment Assessment on Financial Assets Subject to Expected Credit Loss Model

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Impairment loss recognised (reversed) in respect of:		
Loan to an associate	**49**	—
Trade receivables	**(99)**	—
Amount due from an associate	**104**	—
	54	—

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidation financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

7. Loss Before Taxation

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**13,263**	14,444
Amortisation of intangible assets	**894**	—
Premium charges on a life insurance policy	**14**	13
Staff costs, including directors' emoluments	**50,033**	48,834
Allowance for inventories, net of reversal, included in cost of sales	**38,682**	(223)
COVID-19-related rent concessions	**(911)**	—
Rental income	**—**	(200)
Government grants, included in other income (note)	**(3,566)**	—
Interest income	**(222)**	(5)
Imputed interest income on rental deposits	**(141)**	(106)
Imputed interest income from deposits and prepayment for a life insurance policy	**(16)**	(16)

Note: During the current interim period, the Group received government grants of HK$6,693,000 in respect of COVID-19-related subsidies of which HK$4,691,000 relates to Employment Support Scheme provided by the Hong Kong government, and has recognised government grants of HK$3,566,000 in profit or loss. The government grants of HK$3,127,000 have been recognised as deferred income and to be credited to profit or loss on a systematic basis over the period in which the Group recognises staff costs for which the grants are intended to compensate.

8. Taxation

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	**59**	525
Macau Complementary Tax	**—**	127
	59	652
Deferred taxation	**1,638**	—
	1,697	652

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the British Virgin Islands, have no assessable profits for both periods.

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits rates regime, the first HK$2 million of assessable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

Macau Complementary Tax is calculated at the rate of 12% (six months ended 30 June 2019: 12%) on the estimated assessable profit exceeding MOP600,000 for the period.

Under the applicable corporate tax law in Australia, income tax is charged at 30% of the estimated assessable profit. No provision for Australian income tax has been made in the condensed consolidated financial statements as the subsidiary operating in Australia has no assessable profits for both periods.

Taiwan income tax is calculated at 17% (six months ended 30 June 2019: 17%) on the estimated assessable profit of a branch of Kong Tai Sundry Goods in Taiwan for the period. No provision for Taiwan income tax has been made in the condensed consolidated financial statements as the branch operating in Taiwan has no assessable profits for both periods.

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% (six months ended 30 June 2019: 25%). No provision for PRC EIT has been made in the condensed consolidated financial statements as the subsidiaries operating in the PRC have no assessable profits for both periods.

9. Dividends

No dividends were paid, declared or proposed during the interim period (six months ended 30 June 2019: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. Loss Per Share

The calculation of the basic and diluted loss per share for the six months ended 30 June 2020 is based on the loss for the period attributable to owners of the Company of HK$85,243,000 (six months ended 30 June 2019: HK$3,155,000) and the weighted average number of 214,000,000 (six months ended 30 June 2019: 214,000,000) ordinary shares for the purpose of basic and diluted loss per share during the period.

11. Property, Plant and Equipment, Goodwill and Intangible Assets

During the six months ended 30 June 2020, the Group spent HK$280,000 (six months ended 30 June 2019: HK$2,351,000) on purchase of property, plant and equipment.

During the six months ended 30 June 2019, the Group entered into a new lease agreements for the use of retail shop and office for 2 years. The Group is required to make fixed monthly payments during the contract period. On lease commencement during the six months ended 30 June 2019, the Group recognised HK$4,176,000 of right-of-use assets and HK$4,145,000 of lease liabilities (six months ended 30 June 2020: nil).

During the current interim period, lessors of the certain retail shops provided rent concessions to the Group through rent reductions ranging from 28% to 50% over 1 to 3 months.

Certain rent concessions occurred as a direct consequence of COVID-19 pandemic and met of all of the conditions in HKFRS 16.46B, and the Group applied the practical expedient not to assess whether the changes constitute lease modifications. During the current interim period, the effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of HK$911,000 were recognised as negative variable lease payments.

For other rent concessions not within the scope of COVID-19-related rent concessions, reduction of the Group's lease liabilities of HK$1,354,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognised during the current interim period.

Impairment assessment

As a result of the changes in the current economic environment related to the COVID-19 pandemic, the Group is experiencing negative conditions including decreased revenues that indicate that the relevant property, plant and equipment, goodwill and intangible assets may be impaired. During the six months ended 30 June 2020, based on the valuation performed by third-party specialist engaged by the Company, it was determined that the carrying value of cash-generating units in financial services segment was greater than its recoverable amount, result in impairment of lease properties, goodwill and intangible assets amounting to HK$450,000, HK$3,956,000 and HK$7,388,000, respectively (six months ended 30 June 2019: nil). The Group has also recognised impairment of leased properties amounting to HK$1,384,000 in relation to certain cash-generating units in trading of footwear products segments (six months ended 30 June 2019: nil).

For the six months ended 30 June 2020

12. Trade and Other Receivables

Retail sales of footwear products 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 of footwear products, trading of healthcare products and provision of financial services, the Group allows a credit period ranging from 30 to 90 days to its trade customers. The following is an aging analysis of trade receivables presented based on the invoice date at the end of each reporting period:

	At 30.6.2020 HK$'000 (unaudited)	At 31.12.2019 HK$'000 (audited)
Within 30 days	**4,175**	13,154
31 to 60 days	**400**	2,678
61 to 90 days	**31**	4,355
Over 90 days	**1,278**	1,980
	5,884	22,167

13. 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 30.6.2020 HK$'000 (unaudited)	At 31.12.2019 HK$'000 (audited)
Within 30 days	**117**	4,469
31 to 60 days	**286**	206
61 to 90 days	**—**	114
Over 90 days	**527**	1,239
	930	6,028

The average credit period of trade payables is 30 days.

For the six months ended 30 June 2020

14. Share Capital

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	500,000,000	5,000
Issued and fully paid:		
As at 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	214,000,000	2,140

15. Fair Value of Measurements of Financial Instruments

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

16. 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:

		Six months ended	
Name of related companies	**Nature of transactions**	**30.6.2020 HK$'000 (unaudited)**	30.6.2019 HK$'000 (unaudited)
Pharma Science Australia Pty. Ltd. (Note a)	Purchase of goods	**290**	2,281
Dermace Pty. Ltd. (Note a)	Purchase of goods	**—**	499
Shang Ying Holdings Group Limited (Note b)	Short-term lease expense	**902**	—

Notes:

(a) These companies are subsidiaries of the Group's associate.

(b) Mr. Yang Jun, a director of the Company, is the controlling shareholder of this company.

For the six months ended 30 June 2020

16. Related Party Transactions (Continued)

Compensation of key management personnel

The remuneration of key management of the Group during the period was as follows:

	Six months ended	
	30.6.2020	30.6.2019
	HK$'000	HK$'000
	(unaudited)	(unaudited)
Salaries and allowance	**4,318**	2,978
Retirement benefit schemes contributions	**49**	54
	4,367	3,032

Key management personnel are deemed to be members of the board of directors of the Company which has the responsibility for planning, directing and controlling the activities of the Group.

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

As at 30 June 2020, the interests of the Directors and chief executive in the shares, underlying shares or debentures of the Company and/or its associated corporations, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (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") as contained in Appendix 10 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), to be notified to the Company and the Stock Exchange, were as follows:

(A) Long position in the issued shares of the Company

Name of Director	Nature of interests	Notes	Number of the Company's shares interested	Percentage of the Company's issued share capital+
Mr. Yang Jun	Interest held by controlled corporations	1 & 2	149,993,617	70.09%
Mr. Chu Chun Ho, Dominic	Person having a security interest in shares	3	30,000,000	14.02%

Notes:

(1) These shares were held by Shang Ying Financial Holding Co., Limited ("Shang Ying Financial"), a wholly-owned subsidiary of Shang Ying International Holdings Limited ("Shang Ying International"), which was in turn wholly owned by Mr. Yang Jun. Accordingly, Mr. Yang Jun was deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

(2) Pursuant to a share transfer agreement dated 9 December 2019, Shang Ying International had agreed to transfer 42,800,000 shares of the Company to Shangying Global Investment Co., Limited ("Shangying Investment") by way of gift (the "Proposed Transfer"). As at 30 June 2020, the Proposed Transfer had not yet been completed. Shangying Investment is a wholly-owned subsidiary of Shangying Global, in which Mr. Yang Jun was deemed as the de facto controller of Shangying Global. Accordingly, Mr. Yang Jun was deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

(3) Mr. Chu Chun Ho, Dominic and Mr. Chong Hot Hoi (a former Director) were jointly having security interest in these shares of the Company.

+ 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 2020.

(B) Long position in the shares of associated corporations of the Company

Name of associated corporation	Name of Director	Nature of interests	Number of the associated corporation's shares interested	Percentage of the associated corporation's issued share capital+
Shang Ying Financial	Mr. Yang Jun	Interest held by controlled corporation	10,000	100%
Shang Ying International	Mr. Yang Jun	Beneficial owner	100	100%

Note: Mr. Yang Jun held the entire issued share capital of Shang Ying International, which in turn held the entire issued share capital of Shang Ying Financial. As Shang Ying Financial held more than 50% of the issued share capital of the Company, and Shang Ying International held more than 50% of the issued share capital of Shang Ying Financial, Shang Ying Financial and Shang Ying International were the associated corporations of the Company within the meaning of Part XV of the SFO.

\+ 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 2020.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executive 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, 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, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2020, the following parties had interests of 5% or more of the issued share capital of the Company as 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 shareholder	Nature of interests	Notes	Number of the Company's shares interested	Percentage of the Company's issued share capital+
Shang Ying Financial	Beneficial owner	1	149,993,617	70.09%
Shangying Investment	Beneficial owner	2	42,800,000	20.00%
Shangying Global	Interest held by controlled corporation	2	42,800,000	20.00%
Great Wall International Investment X Limited	Person having a security interest in shares	3 & 4	119,993,617	56.07%
China Great Wall AMC (International) Holdings Company Limited	Interest held by controlled corporation	3 & 4	119,993,617	56.07%
China Great Wall Asset Management Co., Ltd.	Interest held by controlled corporations	3 & 4	119,993,617	56.07%
Ms. Yeung Mei Lee	Joint and several receivers and managers	3 & 4	119,993,617	56.07%
Ms. Wong Wing Sze Tiffany	Joint and several receivers and managers	3 & 4	119,993,617	56.07%
Mr. Chong Hot Hoi	Person having a security interest in shares	5	30,000,000	14.02%

Notes:

(1) The above interest of Shang Ying Financial was also disclosed in note (1) in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

(2) The above interests of Shang Ying Investment and Shangying Global were also disclosed in note (2) in the above section headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares".

(3) These shares held by Shang Ying Financial were pledged to Great Wall International Investment X Limited ("Great Wall X") to secure the repayment, obligations and responsibilities of a loan made by Great Wall X to Shang Ying Financial. Great Wall X was therefore deemed to be interested in these shares of the Company pursuant to Part XV of the SFO. In addition, the issued share capital of Great Wall X was wholly owned by China Great Wall AMC (International) Holdings Company Limited ("China Great Wall AMC"), which was in turn wholly owned by China Great Wall Asset Management Co., Ltd. ("China Great Wall"). Accordingly, China Great Wall and China Great Wall AMC were deemed to be interested in these shares of the Company which were deemed to be interested by Great Wall X pursuant to Part XV of the SFO.

(4) On 6 May 2020, Ms. Wong Wing Sze Tiffany and Ms. Yeung Mei Lee were appointed as the joint and several receivers and managers (the "Receivers") over these shares held by Sheng Ying Financial pledged to Great Wall X. Accordingly, the Receivers were deemed to be interested in these shares of the Company pursuant to Part XV of the SFO.

(5) The above interest of Mr. Chong Hot Hoi was also disclosed as the interest of Mr. Chu Chun Ho, Dominic 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 2020.

Save as disclosed above, as at 30 June 2020, no person, other than the Directors 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 by the Company pursuant to Section 336 of the SFO.

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 the 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 the 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 shall not in aggregate exceed 20,000,000 shares, being approximately 9.35% of the total number of shares of the Company in issue 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, the 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 the Board may determine at 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.

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 Reporting 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 Reporting Period.

Insufficient Number of Independent Non-executive Directors during the Reporting Period

Pursuant to Rule 3.10A of the Listing Rules, a listed issuer must appoint independent non-executive directors representing at least one-third of the board. During the Reporting Period, following the appointment of Mr. Chen Anhua as a non-executive Director on 23 January 2020, the number of independent non-executive Directors fell below the minimum number prescribed under Rule 3.10A of the Listing Rules. The Company had not appointed an additional independent non-executive Director within three months from 23 January 2020 as required under Rule 3.11 of the Listing Rules, and only re-complied with the aforesaid requirement upon the appointment of Prof. Yan Haifeng and Ms. Tan Yuying as independent non-executive Directors on 5 May 2020. Following the appointment of Mr. Chen Anhua, the Company had taken practicable steps to identify suitable candidates to act as the independent non-executive Director for the purpose of complying with the abovementioned Listing Rules requirements, including but not limited to, identifying and shortlisting around five individuals as potential candidates to act as the independent non-executive Director in accordance with the Company's Director nomination policy. However, the Company had spent more time than expected due to the COVID-19 in the selection process, confirming the final candidate of the independent non-executive Director and attending to necessary formalities in order to effect the relevant appointment. For further details, please refer to the announcements of the Company dated 23 January 2020, 23 April 2020, 5 May 2020 and 8 May 2020, respectively.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code 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 Reporting 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 during the Reporting Period.

Audit Committee

The audit committee of the Company (comprising three independent non-executive Directors, namely Mr. Lum Pak Sum, Mr. Xie Rongxing and Prof. Yan Haifeng) has reviewed with management the principal accounting policies adopted by the Group and discussed the risk management, internal controls and financial reporting matters, including a review of the interim financial statements for the Reporting Period.

Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at 30 June 2020 and the date of this report, the Company has maintained the prescribed minimum public float as required under the Listing Rules.

Update on Director's Information

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors are set out as follows:

- Mr. Yang Jun has resigned as a general manager and director of Shangying Global with effect from 28 April 2020.

- Pursuant to a supplemental agreement entered into between Mr. Lin Zheming and the Company on 30 June 2020, Mr. Lin Zheming is entitled to receive a Director's service fee of HK$576,000 per annum.

Publication of Interim Results Announcement and Interim Report

The interim results announcement of the Company has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.s-culture.com). This 2020 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.