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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)

CONNECTED TRANSACTION CAPITAL CONTRIBUTION INTO SHANGYING HOSPITAL

The Board is pleased to announce that on 7 February 2020 (after trading hours), Hengying Trading (a wholly-owned subsidiary of the Company), Shangying Global, Shanghai Xinran and Shangying Hospital (an indirect non-wholly owned subsidiary of the Company) entered into the Capital Contribution Agreement, pursuant to which Hengying Trading, Shangying Global and Shanghai Xinran will inject an aggregate of RMB37.8 million into Shangying Hospital in proportion to their respective equity interest in Shangying Hospital.

As at the date of this announcement and after completion of the Capital Contribution, Shangying Hospital is and will continue to be owned as to 52% by the Group, 39.65% by Shangying Global and 8.35% by Shanghai Xinran. Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling shareholder of the Company) is deemed as the de facto controller of Shangying Global, which is directly and indirectly interested as to 23.88% by Mr. Yang Jun together with his controlled companies, and he has been a general manager and a director of Shangyang Global since December 2018 and January 2019, respectively. Shangying Global is therefore a connected person at the issuer level which holds more than 39.65% equity interests in Shangying Hospital, and Shangying Hospital is thus a connected subsidiary of the Company.

As the applicable percentage ratio in respect of the Capital Contribution exceeds 0.1% and is less than 5%, the Capital Contribution is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

References are made to the announcements relating to Shangying Hospital dated 8 May 2019, 3 June 2019, 3 October 2019, 29 October 2019 and 7 November 2019, respectively.

CAPITAL CONTRIBUTION AGREEMENT

Date

7 February 2020 (after trading hours)

Parties

- (i) Shangying Hospital, a limited liability company established in the PRC owned as to 52% by Hengying Trading, 39.65% by Shangying Global and 8.35% by Shanghai Xinran, and a connected subsidiary of the Company;
- (ii) Hengying Trading, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company, which is principally engaged in trading;
- (iii) Shangying Global, a company listed on the Shanghai Stock Exchange, stock code: 600146, which is principally engaged in the research and development, production and sales of textiles and apparel. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling shareholder of the Company) is deemed as the de facto controller of Shangying Global, which is directly and indirectly interested as to 23.88% by Mr. Yang Jun together with his controlled companies, and he has been a general manager and a director of Shangyang Global since December 2018 and January 2019, respectively; and
- (iv) Shanghai Xinran, a limited liability company established in the PRC, which is principally engaged in investment consulting and management consulting service. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Xinran is a company wholly owned by Mr. Luo Jun, the chairman of Shangying Global.

Capital Contribution

The amount of the capital contribution to be made by Hengying Trading, Shangying Global and Shanghai Xinran shall be RMB19.656 million, RMB14.9877 million and RMB3.1563 million, respectively. The aggregate amount of capital contribution of RMB37.8 million is determined in accordance with Shangying Hospital's business plan and its estimated funding required for its expansion and in proportion to the respective equity interests held by the parties in Shangying Hospital. The capital contribution shall be made within one year after the date of the Capital Contribution Agreement. The capital contribution to be made by Hengying Trading will be financed by the internal resources and/or borrowings available to the Group.

Other terms

The capital contributed to Shangying Hospital shall be applied for Shangying Hospital's Internet medical services online and offline business expansion, which shall be strictly in accordance with the established business plan and to improve the service standards and create value for the customer, employees and shareholders of Shangying Hospital.

The Capital Contribution Agreement shall become effective upon (i) signing by the parties; and (ii) approval(s) from board and/or shareholders (where applicable) of each of the respective parties' regarding the Capital Contribution Agreement having been obtained.

INFORMATION OF SHANGYING HOSPITAL

Shangying Hospital is a limited liability company newly established in the PRC on 28 May 2019 with a registered capital of RMB200,000. It is currently owned as to 52% by Hengying Trading, 39.65% by Shangying Global and 8.35% by Shanghai Xinran. Shangying Hospital has two subsidiaries, namely, Shangying Internet Medical (Shanghai) Co. Limited and Shangying Internet Hospital. Shangying Hospital and its subsidiaries are principally engaged in hospital management, health management consulting, medical technology and internet technology in the PRC.

Since Shangying Hospital was established on 28 May 2019, no audited financial statements was prepared for the year ended 31 December 2017 and 2018. Based on the unaudited financial statements, the unaudited consolidated revenue and loss (both before and after taxation) of Shangying Hospital and its subsidiaries from date of incorporation to 31 December 2019 are approximately RMB131,000 and RMB7.18 million, respectively. As at 31 December 2019, the unaudited consolidated total asset value and net liabilities of Shangying Hospital and its subsidiaries were approximately RMB6.55 million and RMB6.98 million, respectively.

REASONS FOR AND BENEFITS OF THE CAPITAL CONTRIBUTION

The Company is an investment holding company and its subsidiaries are engaged in trading of footwear products and healthcare products and the provision of financial services.

Firstly, the Capital Contribution is intended for the business operations of Shanghai Shangying Internet Hospital, which includes (i) the system construction, operation and maintenance of the internet hospital business established with Tongji Hospital subordinated to Tongji University (同濟大學附屬同濟醫院); (ii) the cooperative projects with the Children's Medical Center affiliated to Shanghai Jiao Tong University School of Medicine in the field of Internet medical treatment; and (iii) the establishment, operation and maintenance of the medical and health family member service system, ensuring Shanghai Shangying Internet Hospital provides complete supply

side of its medical resources, and allowing it to form regional advantages in its academic discipline construction and service capabilities in the Yangtze River Delta region, with Shanghai being its focal point.

Secondly, the Capital Contribution is also used to set up a current-price physical pharmacy, which will achieve the purpose of integrating offline physical pharmacies and hospital pharmacies, with online pharmacies into the service supply system. A pharmacy will have a service radius of three kilometers, and the online pharmacies will form partnerships to serve the demands of on-site medicines for follow-up patients in the Yangtze River Delta region, thus, ensuring Shangying Internet Hospital provides a holistic supply of medical services.

Thirdly, the Capital Contribution will help Shangying Hospital expand its capital scale, seize market opportunities, launch new cooperation projects, continuously expand the business sector size and promote the company's long-term business development.

The Directors (including the independent non-executive Directors) are of the view that entering into the Capital Contribution Agreement and the transactions contemplated thereunder is in the ordinary course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As at the date of this announcement and after completion of the Capital Contribution, Shangying Hospital is and will continue to be owned as to 52% by the Group, 39.65% by Shangying Global and 8.35% by Shanghai Xinran, respectively. Mr. Yang Jun (the chairman of the Board, an executive Director and the controlling shareholder of the Company) is deemed as the de facto controller of Shangying Global, which is directly and indirectly interested as to 23.88% by Mr. Yang Jun together with his controlled companies, and he has been a general manager and a director of Shangyang Global since December 2018 and January 2019, respectively. Shangying Global is therefore a connected person at the issuer level which holds more than 39.65% equity interests in Shangying Hospital, and Shangying Hospital is thus a connected subsidiary of the Company.

As the applicable percentage ratio in respect of the Capital Contribution exceeds 0.1% but is less than 5%, the Capital Contribution is subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for Mr. Yang Jun, Mr. Zhu Fangming, Mr. Lin Jun, Mr. Xie Rongxing and Mr. Chen Huigang who are directors/supervisor of Shangying Global and have abstained from voting on the related Board resolution, none of the Directors has material interest in the transaction contemplated under the Capital Contribution Agreement or is required to abstain from voting on the related Board resolution.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context requires otherwise:

“Board”	the board of directors of the Company
“Capital Contribution”	the proposed capital contribution to be made by each of Hengying Trading, Shangying Global and Shanghai Xinran to Shangying Hospital as contemplated under the Capital Contribution Agreement
“Capital Contribution Agreement”	the capital contribution agreement dated 7 February 2020 entered into between Hengying Trading, Shangying Global, Shanghai Xinran and Shangying Hospital in respect of the Capital Contribution
“Company”	S. Culture International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the main board of the Stock Exchange (Stock Code: 01255)
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hengying Trading”	恒贏商貿(上海)有限公司 (Hengying Trading (Shanghai) Co., Limited*), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China which, for the purposes of this announcement only, excludes Hong Kong, Macau and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Xinran”	上海欣然投資管理諮詢有限公司 (Shanghai Xinran Investment Management Consulting Co., Limited*), a company established in the PRC with limited liability

“Shangying Global”	Shangying Global Co., Ltd (商贏環球股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600146
“Shangying Hospital”	商贏醫院管理(上海)有限公司 (Shangying Hospital Management (Shanghai) Company Limited*), a company established in the PRC and is currently owned by Hengying Trading, Shangying Global and Shanghai Xinran as to 52%, 39.65% and 8.35%, respectively
“Shangying Internet Hospital”	Shanghai Shangying Internet Hospital Co., Limited (上海商贏互聯網醫院有限公司), a company established in the PRC and is currently wholly owned by Shangying Hospital
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

* For identification purposes only

By order of the Board
S. CULTURE INTERNATIONAL HOLDINGS LIMITED
Yang Jun
Chairman

Hong Kong, 7 February 2020

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