

SDM | 爵士芭蕾舞學院  
Jazz & Ballet Academie

# SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8363



Third Quarterly Report 2014

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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

This report, for which the directors (the “**Directors**”) of SDM Group Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (the “**GEM Listing Rules**”) of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “**Board**”) of SDM Group Holdings Limited is pleased to announce the unaudited results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 30 September 2014, together with comparative unaudited figures for the corresponding periods in 2013, as follows:

### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2014

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	3	15,067	10,337	40,917	30,329
Other income		3,971	2,788	4,504	4,815
Gain on disposal of a subsidiary		–	–	10	–
Changes in inventories of finished goods		(427)	440	(345)	1,181
Finished goods purchased		(538)	(440)	(1,109)	(1,183)
Advertising and promotion expenses		(440)	(428)	(1,685)	(1,539)
Depreciation		(262)	(220)	(839)	(577)
Rental expenses		(3,528)	(2,088)	(9,015)	(6,286)
Staff costs		(4,396)	(3,608)	(11,782)	(9,618)
Listing expenses		(4,869)	–	(10,934)	–
Other operating expenses		(3,362)	(2,080)	(9,348)	(6,085)
Finance costs	4	(117)	(26)	(329)	(98)
Profit (loss) before taxation		1,099	4,675	45	10,939
Income tax expense	5	(901)	–	(1,746)	(1,805)
<b>Profit (loss) and total comprehensive income (expense) for the period</b>		<b>198</b>	<b>4,675</b>	<b>(1,701)</b>	<b>9,134</b>

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
<b>Profit (loss) and total comprehensive income (expense) for the period attributable to:</b>					
Owner of the Company		198	4,675	(1,701)	9,134
Non-controlling interests		–	–	–	–
		<b>198</b>	4,675	<b>(1,701)</b>	9,134
		<b>HK cents</b>	HK cents	<b>HK cents</b>	HK cents
Earnings (loss) per share:					
Basic	7	<b>0.5</b>	11.0	<b>(4.0)</b>	21.4

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2014

	Issued share capital HK\$'000	Share Premium HK\$'000	Other reserve HK\$'000	Accumulated Profits HK\$'000	Total HK\$'000	Non- controlling Interest HK\$'000	Total HK\$'000
At 1 January 2013 (audited)	30	–	–	12,403	12,433	(7)	12,426
Profit and total comprehensive income for the period	–	–	–	9,134	9,134	–	9,134
At 30 September 2013 (unaudited)	30	–	–	21,537	21,567	(7)	21,560
At 1 January 2014 (audited)	<b>30</b>	–	–	<b>22,572</b>	<b>22,602</b>	<b>(8)</b>	<b>22,594</b>
Loss and total comprehensive expense for the period	–	–	–	(1,701)	(1,701)	–	(1,701)
Disposal of a subsidiary	–	–	–	–	–	8	8
Effect of reorganisation	(30)	–	(35,790)	–	(35,820)	–	(35,820)
Effect of share swap	–	35,800	–	–	35,800	–	35,800
Special dividend distribution to the controlling shareholder	–	–	–	(19,500)	(19,500)	–	(19,500)
At 30 September 2014 (unaudited)	–	35,800	(35,790)	1,371	1,381	–	1,381

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2014

## 1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the address of its headquarters, head office and principal place of business in Hong Kong is Room 202B, 2/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. The Group is principally engaged in the dance institution business in Hong Kong.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HKS**”), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the nine months ended 30 September 2014 have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of the GEM Listing Rules.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the Group’s financial statements for the year ended 31 December 2013. The condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee (the “**Audit Committee**”) of the Company.

The Group has adopted all of the new and revised standards, amendments and interpretations which are relevant to its operations and effective for the accounting periods beginning on or after 1 January 2013. The adoption of these new and revised standards, amendments and interpretation does not have significant impact on the accounting policies of the Group, and the amounts reported for the current period and prior periods.

The Group has not early adopted the new and revised standards that have been issued but are not yet effective. The directors of the Company anticipate that the application of the new and revised standards will have no material impact on the results and financial position of the Group.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount during the relevant periods. The Group's operation is solely derived from jazz and ballet academy in Hong Kong during the relevant periods.

The following is an analysis of the Group's revenue:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Course fee income	14,470	9,969	39,954	29,696
Sales of dance uniforms, shoes and accessories	597	368	963	633
	15,067	10,337	40,917	30,329

### 4. FINANCE COSTS

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Interest on bank overdrafts and bank borrowings wholly repayable within five years	(117)	(26)	(329)	(98)
	(117)	(26)	(329)	(98)

### 5. INCOME TAX EXPENSE

The Company is an exempted company incorporated in the Cayman Islands, as such it is not liable for taxation in the Cayman Islands on its non-Cayman Islands income.

Hong Kong profits tax is calculated at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits during the relevant periods.

## 6. DIVIDEND

In August 2014, the Company declared a dividend amounting to HK\$19,500,000 to the controlling shareholder. The dividend declared was offset against the amount due from the controlling shareholder.

The directors do not recommend the payment of dividend for the nine months ended 30 September 2014 (for the nine months ended 30 September 2013: nil).

## 7. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following:

	Three months ended 30 September		Nine months ended 30 September	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (profit (loss) for the period attributable to owners of the Company)	198	4,675	(1,701)	9,134
	'000	'000	'000	'000
Number of ordinary shares for the purpose of calculating basic earnings (loss) per share	42,688	42,688	42,688	42,688

The number of ordinary shares for the purpose of calculating basic earnings (loss) per share has been determined on the assumption that the Reorganisation and the capitalisation issue as described in Appendix IV to the Prospectus had been effective on 1 January 2012.

No diluted earnings (loss) per share for the periods was presented as there were no potential ordinary shares in issue during the periods.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the nine months ended 30 September 2014 (the “**Reporting Period**”), the Group’s revenue was 34.9% more than the corresponding period last year. The increase in revenue was mainly contributed by the acquisition of the businesses of the four centres from the franchisees on 30 December 2013. The management expects the business continue to improve.

The Group recorded a loss of approximately HK\$1,701,000 for the Reporting Period as compared with profit of approximately HK\$9,134,000 for the corresponding period last year. The material adverse change in the Group’s financial performance for the Reporting Period was mainly due to the non-recurring expenses incurred in relation to the listing of the Company’s shares on GEM on 14 October 2014 (the “**Listing**”) and the dramatic increase in rental expenses.

### FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue, representing tuition fee revenue and sales of dance uniforms, shoes and accessories of approximately HK\$40,917,000, representing an increase of approximately HK\$10,588,000 or 34.9% as compared to that of approximately HK\$30,329,000 for the corresponding period in 2013. During the Reporting Period, other income amounted to approximately HK\$4,504,000 (for the nine months ended 30 September 2013: HK\$4,815,000), representing the aggregate of the examination handling fee income, management fee income, performance and show income and rental income. Administrative expenses for the Reporting Period were approximately HK\$34,123,000 (for the nine months ended 30 September 2013: HK\$24,107,000), of which staff related costs were approximately HK\$11,782,000 (for the nine months ended 30 September 2013: HK\$9,618,000). Another major expense included in the administrative expenses is rental expenses, which was approximately HK\$9,015,000 (for the nine months ended 30 September 2013: HK\$6,286,000) during the Reporting Period. Finance costs during the Reporting Period were approximately HK\$329,000 (for the nine months ended 30 September: HK\$98,000). During the Reporting Period, the Group recognized the non-recurring listing expenses as discussed above of approximately HK\$10,934,000 (for the nine months ended 30 September 2013: nil).

The loss and total comprehensive expense for the Reporting Period attributable to equity holders of the Company was approximately HK\$1,701,000 (for the nine months ended 30 September 2013: a profit of HK\$9,134,000).

## **SHARE CAPITAL**

As at the date of the Listing, the authorised share capital of the Company was HK\$800,000,000 divided into 8,000,000,000 shares of HK\$0.1 each and the issued share capital of the Company was HK\$20,000,000 divided into 200,000,000 shares of HK\$0.1 each.

## **SIGNIFICANT INVESTMENTS**

During the Reporting Period, no significant investments were made by the Group.

## **CHARGES ON THE GROUP'S ASSETS**

There were no material charges on the Group's assets as at 30 September 2014.

## **CONTINGENT LIABILITIES**

As at 30 September 2014, our Group did not have any material contingent liabilities or guarantees.

## **PROSPECT AND OUTLOOK**

The Company was listed on the GEM of The Stock Exchange on 14 October 2014. The funds raised from the Listing have laid a solid foundation for the future development of the Group.

We believe our key strengths lie in our strong brand and market position which are achieved through our extensive network and coverage in Hong Kong, our experienced management team, our diverse selection of courses, as well as the quality of our dance teachers and teaching syllabus. We believe that all these factors contribute to our success and differentiate us from our competitors.

## OTHER INFORMATION

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

The listing of the ordinary shares of the Company (the “Shares”) on GEM took place on 14 October 2014. As at the date of the Listing, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “SFO”), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Directors and chief executive	Nature of interest/ Holding capacity	Number of ordinary shares held	Percentage of issued share capital
Mr. Chiu Ka Lok	Interest of a controlled corporation	150,000,000 (L) (Note 1, 3)	75%
Dr. Chun Chun	Family interest	150,000,000 (L) (Note 2, 3)	75%

Note:

- (1) Wealthy Together Limited (“Wealthy Together”), a company incorporated in the BVI on 11 February 2014 and an investment holding company, is wholly and beneficially owned by Mr. Chiu Ka Lok and Mr. Chiu Ka Lok is executive director and the chairman of the Company. Mr. Chiu Ka Lok is deemed to be interested in 150,000,000 Shares held by Wealthy Together by virtue of his 100% shareholding interest in Wealthy Together.
- (2) Dr. Chun Chun is the spouse of Mr. Chiu and is therefore deemed to be interested in all the shares held/owned by Mr. Chiu (by himself or through Wealthy Together) by virtue of the SFO. Dr. Chun Chun is a non-executive Director of the Company.
- (3) The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, as at the date of the Listing, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

**SUBSTANTIAL SHAREHOLDERS’ AND OTHER PERSONS’ INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at the date of the Listing, the following parties, other than Directors and the chief executive of the Company, held interests or short positions (directly or indirectly) in the Company’s Shares or underlying Shares were recorded in the register kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of interests in the Company’s issued share capital (Note)
Wealthy Together	Beneficial owner	150,000,000 (L) (Note 1, 2)	75%

Note:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu Ka Lok, an executive Director of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) The letter “L” denotes the person’s long position in the Shares.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at the date of the Listing which required to be recorded pursuant to Section 336 of SFO.

## **COMPETING INTERESTS**

The Directors are not aware of any business or interest of the Directors nor the controlling shareholder of the Company nor any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

## **CORPORATE GOVERNANCE**

The Company endeavors to adopt prevailing best corporate governance practices. Since the date of the Listing, the Company had complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report as contained in Appendix 15 of the Listing Rules and there has been no deviation in relation thereto.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors since the date of the Listing.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the compliance adviser of the Company, Ample Capital Limited, as at the date of Listing, save for the compliance adviser agreement dated 16 June 2014 entered into between the Company and Ample Capital Limited, neither Ample Capital Limited, its directors, employees and associates had any interest in relation to the Group.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Since the date of the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

Our Company established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The audit committee comprises three independent non-executive Directors, namely Mr. Lau Sik Yuen, Ms. Chiu Wing Kwan Winnie and Dr. Yuen Man Chun Royce.

The primary duties of the Audit Committee are to review the Company's annual reports and accounts, interim results announcements and reports and quarterly results announcements and reports and internal control system, and to provide advice and comments thereon to the Board.

The unaudited third quarterly results for the nine months ended 30 September 2014 have been reviewed by the members of the Audit Committee before recommending it to the Board for approval.

By Order of the Board  
**SDM Group Holdings Limited**  
**Mr. Chiu Ka Lok**  
*Chairman*

Hong Kong, 13 November 2014

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. Chiu Ka Lok  
Mr. Chun Chi Ngon, Richard

#### Non-executive Directors

Dr. Chun Chun  
Ms. Yeung Siu Foon  
Ms. Yip Sze Pui, Fione

#### Independent Non-executive Directors

Mr. Lau Sik Yuen  
Ms. Chiu Wing Kwan, Winnie  
Dr. Yuen Man Chun, Royce

### COMPANY SECRETARY

Mr. Au Wai Keung

### COMPLIANCE OFFICER

Mr. Chiu Ka Lok

### AUTHORISED REPRESENTATIVES

Mr. Chiu Ka Lok  
Mr. Chun Chi Ngon, Richard

### AUDIT COMMITTEE

Mr. Lau Sik Yuen  
*(Chairman of Audit Committee)*  
Ms. Chiu Wing Kwan, Winnie  
Dr. Yuen Man Chun, Royce

### REMUNERATION COMMITTEE

Ms. Chiu Wing Kwan, Winnie  
*(Chairlady of Remuneration Committee)*  
Dr. Yuen Man Chun, Royce  
Mr. Chiu Ka Lok

### NOMINATION COMMITTEE

Dr. Yuen Man Chun, Royce  
*(Chairman of Nomination Committee)*  
Ms. Chiu Wing Kwan, Winnie  
Mr. Chun Chi Ngon, Richard

### AUDITORS

Deloitte Touche Tohmatsu

### REGISTERED OFFICE

Clifton House  
75 Fort Street  
P.O. Box 1350, Grand Cayman  
KY1-1108  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 202B, 2/F  
Liven House  
61-63 King Yip Street  
Kwun Tong  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

**HONG KONG BRANCH SHARE  
REGISTRAR AND TRANSFER  
OFFICE**

Union Registrars Limited  
18/F, Fook Lee Commercial Centre  
Town Place  
33 Lockhart Road, Wanchai  
Hong Kong

**PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hong Kong and Shanghai Banking  
Corporation Limited

**WEBSITE ADDRESS**

[www.sdm.hk](http://www.sdm.hk)

**STOCK CODE**

8363