

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 2015

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

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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.

FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2015, unaudited operating results of the Group were as follows:

- profit for the period attributable to owners of the Company for the nine months ended 30 September 2015 amounted to approximately HK\$949,000 (2014: loss for the period attributable to owners of the Company for the nine months ended 30 September 2014 amounted to approximately HK\$2,368,000); and
- basic earnings per share for the nine months ended 30 September 2015 was approximately 0.47 HK cents (2014: basic loss per share for the nine months ended 30 September 2014 was approximately 1.28 HK cents).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “**Board**”) of the Company (together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited condensed consolidated results of the Group for the nine months ended 30 September 2015, together with comparative figures for the corresponding period in 2014, as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine months ended 30 September 2015 (Unaudited)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	14,933	15,667	42,664	42,216
Other income		3,126	4,302	6,614	5,935
Gain on disposal of a subsidiary		–	–	–	9
Changes in inventories of finished goods		102	(184)	(1)	(345)
Finished goods purchased		(990)	(1,152)	(1,560)	(1,481)
Advertising and promotion expenses		(1,985)	(2,169)	(3,086)	(3,413)
Depreciation and amortisation		(455)	(262)	(1,112)	(839)
Rental expenses		(4,466)	(4,492)	(12,621)	(9,978)
Staff costs		(5,833)	(4,396)	(15,720)	(11,782)
Listing expenses		–	(4,475)	–	(10,540)
Other operating expenses		(5,679)	(4,089)	(14,117)	(10,075)
Finance costs	5	(2)	(118)	(9)	(329)
(Loss) profit before taxation		(1,249)	(1,368)	1,052	(622)
Income tax expense	6	208	(900)	(148)	(1,746)
(Loss) profit and total comprehensive income (expense) for the period		(1,041)	(2,268)	904	(2,368)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) profit and total comprehensive income (expense) for the period attributable to:					
Owner of the Company		(998)	(2,268)	949	(2,368)
Non-controlling interests		(43)	–	(45)	–
		(1,041)	(2,268)	904	(2,368)
		HK cents	HK cents	HK cents	HK cents
(Loss) earnings per share:					
Basic	7	(0.50)	(1.33)	0.47	(1.28)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2015

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 12 February 2014 and its shares are listed on GEM of the Stock Exchange on 14 October 2014. The address of the Company's 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 and its principal subsidiaries are mainly engaged in the business of dance institution in Hong Kong.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statement for the nine months ended 30 September 2015 has been prepared in accordance with the Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certificate Public Accountants ("HKICPA") and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. ADOPTION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2015. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. 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 relevant periods. The Group's operation is solely derived from jazz and ballet academy in Hong Kong during the periods. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Course fee income	14,428	14,471	40,476	39,953
Sales of dance uniforms, shoes and accessories	505	1,196	2,188	2,263
	14,933	15,667	42,664	42,216

Geographical Information

The Group's revenue are all derived from Hong Kong based on the location of goods delivered and services provided during both periods.

No individual customer was accounted for over 10% of the Group's total revenue for both periods.

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Interest on bank overdrafts and bank borrowings wholly repayable within five years	2	118	9	329

6. INCOME TAX EXPENSE

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current tax				
— Hong Kong Profits Tax	208	900	148	1,746

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both periods.

7. EARNINGS (LOSS) PER SHARE

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss) earnings:				
(Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	(998)	(2,268)	949	(2,368)

	For the three months ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	200,000	184,665	200,000	170,750

Pursuant to the written resolutions passed by the shareholders on 26 September 2014, a sum of HK\$17,075,000 standing to the credit of the share premium account of the Company was capitalized by paying up in full at par a total of 170,749,996 new shares and for allotment and issue to Wealthy Together (the “**Capitalisation Issue**”).

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share has been determined on the assumption that the reorganisation and the Capitalisation Issue had been effective on 1 January 2013.

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

8. DIVIDENDS

No dividend was paid or proposed during the nine months ended 30 September 2015, nor has any dividend been proposed since the end of the reporting period.

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 Board does not recommend the payment of dividend for the nine months ended 30 September 2014.

9. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group acquired property, plant and equipment of approximately HK\$2,279,000 (2014: HK\$1,308,000).

10. RESERVES

	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Other reserve HK\$'000 (Note)	Accumulated profits HK\$'000	Total HK\$'000
At 1 January 2014 (audited)	–	–	–	22,572	22,572
Loss and total comprehensive expense for the period	–	–	–	(2,368)	(2,368)
Effect of reorganisation	–	–	10	–	10
Capitalisation issue (note 7)	(17,075)	–	–	–	(17,075)
Dividend declared (note 8)	–	–	–	(19,500)	(19,500)
At 30 September 2014 (unaudited)	(17,075)	–	10	704	(16,361)
At 1 January 2015 (audited)	19,407	–	(1,675)	755	18,487
Fair value loss on available- for-sale investments	–	(127)	–	–	(127)
Profit and total comprehensive income for the period	–	–	–	949	949
At 30 September 2015 (unaudited)	19,407	(127)	(1,675)	1,704	19,309

Note: The other reserve represents the aggregate of:

- (i) difference between the nominal value of the share capital of SDM Jazz & Ballet Academie Co. Limited (formerly known as Shelly De Mozz Ballet & Jazz Academie Co. Limited), SDM Academie Limited, SDM Group Limited, SDM Management Limited and Metro Noble Limited at the dates on which they were acquired by Brilliant Together Limited ("Brilliant Together") and Tycoon Together Limited and par value of the 3 shares issued by the Company and by cash of HK\$20,000 pursuant to the reorganisation; and
- (ii) deemed distribution to Controlling Shareholder in respect of the listing expenses borne by the Company.

11. ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

Save as disclosed in the Section Headed "Business Review" and "Significant Investments" in this report, the Group had no acquisitions, disposals nor significant investments for the nine months ended 30 September 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

SDM Jazz & Ballet Academie (SDM爵士芭蕾舞學院)

In line with the Group's expansion plan, the Group has launched two new dance centres in Happy Valley and Discovery Park in March 2015 and July 2015 respectively. As a result, the number of self-operated dance centres of the Group has increased from 17 to 19 during the nine months ended 30 September 2015 (the "**Reporting Period**"), together with the three joint venture dance centres under the brand of "SDM Jazz & Ballet Academie" (SDM爵士芭蕾舞學院). The Group believes that the expansion will further enhance the Group's geographical coverage in Hong Kong as well as increasing shareholders' value in a long run.

During the Reporting Period, the Group's revenue increased to HK\$42,664,000 (2014: HK\$42,216,000), representing an increase of approximately 1.1% as compared to the corresponding period of last year. The increase in revenue was mainly attributable to the increase in provision of CSTD jazz courses.

The Group recorded profit of approximately HK\$904,000 for the Reporting Period as compared with a loss of approximately HK\$2,368,000 for the corresponding period of last year. The significant 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 (the "**Shares**") on GEM on 14 October 2014 (the "**Listing**") in the corresponding period of last year, while no such expenses was incurred during the Reporting Period. The profit for the nine months ended 30 September 2014, excluding the listing expenses, amounted to approximately HK\$8,172,000. The drop was mainly attributable to increase in rental expenses, staff costs and other operating cost partly as a result of the Group's expansion plan incurred during the Reporting Period.

On 8 April 2015, Fortune Apex Enterprises Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement for the subscription (the "**Subscription**") of the BRJ China Credit Fund (the "**Fund**") issued by Adamas Asset Management (HK) Limited in an aggregate amount of RMB8 million (equivalent to approximately HK\$10 million). The Fund is expected to generate a non-guaranteed 4% dividend payable semiannually with a minimum lock-up period of one year, commencing from the date of the Subscription.

The Board considers that the Subscription is in line with the Group's objective to grow its investment return by adopting a proactive but prudent approach in its investments. Based on the Fund's past performance record, the Board considers that the Fund is well-managed by investment professionals, the Board expects that the Subscription will provide the Group with an opportunity to manage its excess liquidity through efficient access to a wider variety of investment channels to which the Group may not have access at present while giving the Group flexibility to redeem the Fund after one year lock-up as and when the Board considers it to be beneficial to the Group. For further details, please refer to the announcement of the Company dated 8 April 2015.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue, comprising mainly of course fee income and sales of dance uniforms, shoes and accessories, recorded a total amount of approximately HK\$42,664,000, representing a slight increase of approximately HK\$448,000 or 1.1% as compared to that of approximately HK\$42,216,000 for the corresponding period in 2014.

Other income

Other income of the Group increased by approximately HK\$679,000 or 11.4% from approximately HK\$5,935,000 for the corresponding period of last year to approximately HK\$6,614,000 for the Reporting Period. The increase was mainly attributable to the increase in building management fee and rental income by approximately HK\$685,000, representing an increase of approximately 1.4 times from approximately HK\$1,613,000 for the corresponding period last year to approximately HK\$2,298,000 for the Reporting Period. Other income of the Group mainly comprises of the management fee income, dividend income, examination handling fee income, performance and show income, and building management fee and rental income.

Rental expenses, staff costs and finance costs

Rental expenses of the Group during the Reporting Period was approximately HK\$12,621,000 (2014: approximately HK\$9,978,000), representing a significant increase in rental expenses of approximately 26.5% as compared to the corresponding period of last year. The primary reason for the increase was the expansion in the number of the self-operated dance centre as disclosed in the paragraph headed "Business Review" above. The increase of the Group's rental expenses incurred during the Reporting Period was also attributable to the increment in rental expenses of the Group's leased dance centres and its head office.

Staff costs amounted to approximately HK\$15,720,000 during the Reporting Period (2014: approximately HK\$11,782,000), representing an increase of approximately 33.4%. The staff costs of the Group accounted for approximately 36.8% and 27.9% of the Group's revenue for the Reporting Period and the corresponding period last year, respectively. The main reason for the increase was attributable to the increase in staff head count of the Group to cope with the expansion plan as set out in the prospectus of the Company dated 30 September 2014 headed "Business — Our Business Strategies" and "Future Plans and Use of Proceeds — Implementation Plans".

Finance costs of the Group decreased by approximately 97.3% from approximately HK\$329,000 for the nine months ended 30 September 2014 to approximately HK\$9,000 for the Reporting Period. Such decrease was mainly due to the full repayment of the Group's certain outstanding bank borrowings in October 2014.

Listing expenses

In the corresponding period in 2014, the Group recognized the non-recurring listing expenses as discussed above of approximately HK\$10,540,000. There were no such expenses incurred during the Reporting Period.

Other operating expenses

Other operating expenses of the Group was approximately HK\$14,117,000 during the Reporting Period (2014: approximately HK\$10,075,000), representing a significant increase of approximately 40.1% as compared to the corresponding period of last year. The significant increase was mainly attributable to the professional fees incurred after the Listing in compliance with the GEM Listing Rules. Another reason for such increase was the increase in building management fee.

Profit (loss) and total comprehensive income (expense) for the period

The profit and total comprehensive income (expense) for the Reporting Period attributable to the owners of the Company was approximately HK\$949,000 (2014: a loss of approximately HK\$2,368,000). For further details of the changes, please refer to the paragraph headed "Business Review" above.

SHARE CAPITAL

As at 30 September 2015, 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, the Group launched two new dance centres in Happy Valley and Discovery Park in March 2015 and July 2015 respectively. The total capital expenditure and other initial investments incurred incidental to the opening of such new dance centres were approximately HK\$2.5 million.

The Group has also developed a new brand, "Cool Kids", which offers pop dance courses for children. "Cool Kids" has been launched at the Group's dance centres in Discovery Park and The Coronation in Austin Station in July and August 2015, respectively.

The Group believes that the expansion will further enhance the Group's geographical coverage in Hong Kong as well as increasing shareholders' value in the long run.

Save as disclosed above, the Group did not have other significant investments for the nine months ended 30 September 2015.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 September 2015, the Group did not have any specific plan for material investments and capital assets.

CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities or guarantees (2014: Nil).

CHARGE ON GROUP'S ASSETS

As at 30 September 2015, the Group pledged its bank deposit of HK\$0.3 million (2014: HK\$0.3 million) as securities for bank guarantee to the landlord of one of its dance centres over the lease term. The pledged bank deposit is interest bearing with a fixed rate of 0.25% per annum. The respective lease agreement will expire in the year of 2016.

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.

In October 2015, the Group has launched a dance centre in Guangzhou City, the People's Republic of China (the "PRC"). Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong and further expand the industry network by opening and/or acquiring new centres in Hong Kong and the PRC. The Group will also continue to prudently seek investments that would maximize the shareholders' return in the long run.

The Board is still looking for other investment opportunities aiming at exploring the feasibility of further expansion in dance institution business including but not limited to, the dance institution industry in Asia.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives

As at 30 September 2015, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and 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 Divisions 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) 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:

Long positions in the Shares of the Company

Name of Directors and chief executive	Nature of interest/ holding capacity	Number of ordinary shares held	Percentage of interests in the Company's issued share capital
Mr. Chiu Ka Lok (“Mr. Chiu”)	Interest of a controlled corporation	150,000,000 (Note 1)	75% (Note 3)
Dr. Chun Chun	Family interest	150,000,000 (Note 2)	75% (Note 3)

Notes:

- (1) Wealthy Together Limited (“Wealthy Together”), is wholly and beneficially owned by Mr. Chiu, an executive Director and the chairman of the Company. Mr. Chiu 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, a non-executive Director, 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.
- (3) As at 30 September 2015, the total issued share capital of the Company was 200,000,000.

Save as disclosed above, as at 30 September 2015, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 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) 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.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 30 September 2015, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares of the Company

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

Notes:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu, an executive Director and the chairman of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) As at 30 September 2015, the total issued share capital of the Company was 200,000,000.

Save as disclosed above, as at 30 September 2015, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Scheme**") was conditionally adopted by a written resolutions of the shareholders of the Company on 26 September 2014 (the "**Date of Adoption**"), and is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognize and acknowledge the contribution of the Directors, other employees and other eligible participants who have made valuable contribution to the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the total number of shares in issue immediately following the completion of the offering for the listing of the shares of the Company (i.e. 20,000,000) (the "**Scheme Limit**"). Options lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Limit.

The Company may renew the Scheme Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the Scheme under the limit as refreshed must not exceed 10% of the shares in issue as at the date of the Shareholders' approval of the renewed limit.

There was no share option granted or agreed to be granted under the Scheme from the Date of Adoption to 30 September 2015 and up till the date of this report.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholder of the Company or 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.

NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company has undertaken to the Company in the deed of non-competition (the "**Deed of Non-Competition**") that it/he will not, and procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes, or may compete, with the Group's business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the controlling shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group.

For the year ended 31 December 2014, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of its/his and its/his associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition from the date of listing up till the year ended 31 December 2014.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the nine months ended 30 September 2015, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 15 of the GEM 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 (the "**Code of Conduct**") 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 "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of the Directors have confirmed that each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Reporting Period. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the nine months ended 30 September 2015.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the compliance adviser of the Company, Innovax Capital Limited, as at 30 September 2015, save for the compliance adviser agreement dated 8 June 2015 entered into between the Company and Innovax Capital Limited, neither Innovax Capital Limited, its directors, employees and close associates had any interest in relation to the Group which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Reporting Period, the Group has launched a dance centre in Guangzhou City, the PRC, in October 2015. As a result, the number of self-operated dance centres of the Group has increased from 19 to 20 as at the date of this report, together with the three joint venture dance centres under the brand of “SDM Jazz & Ballet Academie” (SDM爵士芭蕾舞學院).

The launch of the dance centre in the PRC marked a significant milestone to the Group’s expansion plan in extending its footprint in the PRC. Accordingly, the Group believes that the expansion will further enhance the Group’s geographical coverage in Hong Kong and the PRC as a whole as well as increasing shareholders’ value in the long run.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company during the Reporting Period.

AUDIT COMMITTEE

The financial information in this report has not been audited by the auditor of the Company. The Company’s Audit Committee, comprising Mr. Lau Sik Yuen, Ms. Chiu Wing Kwan Winnie and Dr. Yuen Man Chun, as the independent non-executive Directors, has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the nine months ended 30 September 2015. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

CHANGE OF COMPLIANCE ADVISER

The Company and Ample Capital Limited (“**Ample Capital**”) have mutually agreed to terminate the compliance adviser agreement dated 16 June 2014 (and the supplement agreement dated 18 November 2014) entered into between the Company and Ample Capital with effect from 8 June 2015 for commercial reason.

Subsequent to the termination of the compliance adviser agreement with Ample Capital, Innovax Capital Limited has been appointed as the new compliance adviser to the Company as required pursuant to Rule 6A.27 of the GEM listing Rules. For further details, please refer to the announcement of the Company dated 8 June 2015.



BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Chiu Ka Lok (Chairman) and Mr. Chun Chi Ngon, Richard (Chief Executive Officer), as the executive Directors, Dr. Chun Chun, Ms. Yeung Siu Foon and Ms. Yip Sze Pui, Fione, as the non-executive Directors and Mr. Lau Sik Yuen, Ms. Chiu Wing Kwan, Winnie and Dr. Yuen Man Chun, Royce, as the independent non-executive Directors.

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

Hong Kong, 11 November 2015