



2018 SDM

INTERIM REPORT

SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8363

SDM | 爵士芭蕾舞學院
Jazz & Ballet Academie

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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 GEM of the Stock Exchange (the “**GEM Listing Rules**”) 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 six months ended 30 June 2018, unaudited operating results of the Group were as follows:

- loss for the period attributable to owners of the Company for the six months ended 30 June 2018 amounted to approximately HK\$8,288,000 (2017: HK\$3,029,000); and
- basic loss per share for the six months ended 30 June 2018 was approximately 2.34 HK cents (2017: basic loss per share for the six months ended 30 June 2017 was approximately 1.16 HK cents).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2018, together with the unaudited comparative figures for the corresponding period in 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	4	14,007	15,046	28,876	30,519
Other income		3,176	2,318	7,030	3,966
Changes in inventories of finished goods		(149)	(211)	(67)	(204)
Finished goods purchased		(153)	(98)	(567)	(374)
Advertising and promotion expenses		(1,149)	(884)	(2,197)	(1,545)
Depreciation and amortisation		(1,248)	(573)	(1,777)	(1,131)
Rental expenses		(5,473)	(5,551)	(11,031)	(11,157)
Staff costs		(6,792)	(6,484)	(12,886)	(11,975)
Other operating expenses		(9,495)	(5,958)	(15,925)	(11,266)
Finance costs		(827)	–	(1,653)	–
Gain on disposal of a subsidiary	10	331	–	331	–
Share of profits of joint ventures		127	–	127	–
Loss before taxation		(7,645)	(2,395)	(9,739)	(3,167)
Income tax expense	5	–	(2)	–	(2)
Loss and total comprehensive expense for the period		(7,645)	(2,397)	(9,739)	(3,169)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2018	2017	2018	2017
		(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Loss and total comprehensive expense for the period attributable to:					
Owners of the Company		(6,726)	(2,339)	(8,288)	(3,029)
Non-controlling interests		(919)	(58)	(1,451)	(140)
		(7,645)	(2,397)	(9,739)	(3,169)
		HK cents	HK cents	HK cents	HK cents
Loss per share:					
Basic and diluted	6	(1.90)	(0.89)	(2.34)	(1.16)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	8	6,715	6,913
Intangible assets		134	178
Interests in joint ventures		156	156
Loans to joint ventures		1,720	1,720
Other receivables, deposits and prepayment		12,793	11,597
Deferred tax assets		331	331
		21,849	20,895
Current assets			
Inventories		1,218	1,285
Trade and other receivables, deposits and prepayments	9	24,124	18,503
Amounts due from related parties		4,011	4,831
Amounts due from non-controlling shareholders of subsidiaries		4	4
Held for trading investments		5,263	7,423
Tax recoverable		15	15
Bank balances and cash		127,326	133,822
		161,961	165,883
Current liabilities			
Other payables, accrued charges and deposits received		49,531	46,330
Amounts due to related parties		1,860	459
Provisions		737	737
		52,128	47,526
Net current assets		109,833	118,357
Total assets less current liabilities		131,682	139,252

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
Capital and reserves		
Share capital	35,410	35,410
Reserves	20,330	28,005
Equity attributable to owners of the Company	55,740	63,415
Non-controlling interests	(3,036)	(1,585)
Total equity	52,704	61,830
Non-current liabilities		
Provisions	1,342	1,342
Obligation arising from put options written to non-controlling shareholders of a subsidiary	8,533	8,630
Other payables	69,103	67,450
	78,978	77,422
	131,682	139,252

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	Issued	Share	Exchange	Warrants	Other	Accumulated	Non-		Total
	share	premium	reserve	reserve	reserve	profits	controlling		
	capital	premium	reserve	reserve	reserve	(losses)	Total	interests	
HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	
At 1 January 2017 (audited)	20,000	17,407	(299)	816	(1,675)	(14,202)	22,047	(400)	21,647
Loss for the period	-	-	-	-	-	(3,029)	(3,029)	(1,019)	(4,048)
Exchange differences arising on translation to presentation currency	-	-	(66)	-	-	-	(66)	-	(66)
Loss and total comprehensive expense for the period	-	-	(66)	-	-	(3,029)	(3,095)	(1,019)	(4,114)
Issued consideration shares	240	1,536	-	-	-	-	1,776	-	1,776
Issued open offer shares	10,120	29,220	-	-	-	-	39,340	-	39,340
Placing shares	5,050	18,670	-	-	-	-	23,720	-	23,720
At 30 June 2017 (unaudited)	35,410	66,833	(365)	816	(1,675)	(17,231)	83,788	(1,419)	82,369
At 1 January 2018 (audited)	35,410	66,892	(493)	-	693	(39,088)	63,414	(1,585)	61,829
Loss for the period	-	-	-	-	-	(8,288)	(8,288)	(1,451)	(9,739)
Exchange differences arising on translation to presentation currency	-	-	614	-	-	-	614	-	614
Gain (Loss) and total comprehensive expense for the period	-	-	614	-	-	(8,288)	(7,674)	(1,451)	(9,125)
At 30 June 2018 (unaudited)	35,410	66,892	121	-	693	(47,376)	55,740	(3,036)	52,704

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Net cash used in operating activities	(9,716)	(881)
Net cash generated from (used in) investing activities	2,980	(10,443)
Net cash generated from financing activities	240	66,423
Net (decrease) increase in cash and cash equivalents	(6,496)	55,099
Cash and cash equivalents at 1 January	133,822	22,294
Cash and cash equivalents at 30 June, represented by bank balances and cash	127,326	77,393
REPRESENTED BY:		
Bank balances and cash	127,326	77,393

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

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. Its parent is Wealthy Together Limited (“**Wealthy Together**”) (incorporated in British Virgin Islands). Its ultimate controlling party is Mr. Chiu Ka Lok, who is also the Chairman and executive Director of the Company. The addresses of the Company’s registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Room 202B, 2/F., Liven House, 61–63 King Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in the business of jazz and ballet and pop dance academy in Hong Kong and the People’s Republic of China (the “**PRC**”).

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 statements for the six months ended 30 June 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for good and services.

3. ADOPTION OF NEW AND REVISED HKFRS

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 2018. 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 and pop dance in Hong Kong and the PRC 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 June		For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Course fee income	13,653	14,883	28,369	30,150
Sales of dance uniforms, shoes and accessories	354	163	507	369
	14,007	15,046	28,876	30,519

Geographical Information

The Group's operation are located on Hong Kong and the PRC.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	For the three months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Hong Kong	13,382	14,717	28,251	29,812
PRC	625	329	625	707
	14,007	15,046	28,876	30,519

Information about major customer

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

5. INCOME TAX EXPENSE

	For the three months ended 30 June		For the six months ended 30 June	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Current tax				
— Hong Kong Profits Tax	—	2	—	2

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

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiary is 25%. No provision for Enterprise Income Tax as the PRC subsidiary did not have any assessable profits for both periods.

6. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the three months ended 30 June 2018 and six months ended 30 June 2018 attributable to owners of the Company of approximately HK\$6,726,000 and HK\$8,288,000 respectively (2017: the loss for the three months ended 30 June 2017 and six months ended 30 June 2017 attributable to owners of the Company of approximately HK\$2,339,000 and HK\$3,029,000) and the weighted average number of ordinary shares of 354,100,000 (2017: 354,100,000) in issue during the period.

Diluted loss per share

Diluted loss per share for the three months ended 30 June 2018 and six months ended 30 June 2018 was the same as the basic loss per share.

As there were no dilutive potential shares during the three months ended 30 June 2017 and six months ended 30 June 2017, the diluted loss per share were the same as basic loss per share.

7. DIVIDENDS

No dividend was proposed during the six months ended 30 June 2018, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2017: Nil).

8. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group acquired property, plant and equipment of approximately HK\$1,743,000 (2017: HK\$1,954,000).

9. TRADE RECEIVABLES

Trade receivables from third parties mainly represent receivables from financial institutions in relation to the payments settled by credit cards by customers of which the settlement period is normally one to two months from transaction date. No credit period is granted for tutoring and examination fee as they are normally received in advance.

The following is an aged analysis of trade receivables from third parties net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	30 June 2018 (Unaudited) HK\$'000	31 December 2017 (Audited) HK\$'000
0 to 30 days	3,025	673
31 to 60 days	–	–
	3,025	673

As at 30 June 2018 and 31 December 2017, there was no trade receivables from third parties which are past due at the end of the reporting period.

10. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

Disposal of Metro Noble Limited

The completion of the disposal of the wholly owned subsidiary, Metro Noble Limited, took place on 11 April 2018.

	HK\$
Consideration received:	
Consideration receivable included in other receivables	7,200
Analysis of assets and liabilities over which control was lost:	
Rental Deposits	6,569
Trade and other receivables, deposits and prepayments	1,197
Cash and cash equivalents	4
Other payables and accruals	(8,392)
Net liabilities disposed of	(622)
Non-controlling interest	–
Net liabilities attributable to the Group disposed of	(622)
Loss on disposal of subsidiaries:	
Consideration received or receivable	7,200
Investment cost of a subsidiary	6,869
Gain on disposal	331
Net cash inflow arising from disposal:	
Cash consideration received	–
Less: Cash and cash equivalents disposed of	(4)
	(4)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong and the PRC during the six months ended 30 June 2018 (the "Reporting Period").


In line with the Group's expansion plan, the Group had developed more resources to promote brand image and maintain quality services in order to consolidate our leading position in the industry. The Group had engaged in education business in the PRC since January 2017, through the acquisition of the Octopus Group Limited. In implementing the expansion plan, the Group will also consider to acquire existing dance centres, if the right opportunity should arise as the Group can immediately benefit from the existing clientele base. The Group will also continue developing new brand, offering wide range of dance courses for children and preparing the developing of the operation of day care centres, kindergartens and indoor theme-based kids clubs.

Meanwhile, the Company will also expedite its expansion in the PRC and overseas market to diversify and further broaden the source of income.

FINANCIAL REVIEW

During the Reporting Period, the Group's revenue, comprising mainly course fee income and sales of dance uniforms, shoes and accessories, recorded a total amount of approximately HK\$28,876,000, representing a decrease of approximately 5.4% compared with the revenue of approximately HK\$30,519,000 for the corresponding period in year 2017. The decrease in the Group's revenue was mainly due to the relocation of the dance centres upon expiry of the tenancy agreement.

Other income of the Group increased by approximately HK\$3,064,000 or 77% from approximately HK\$3,966,000 for the corresponding period of last year to approximately HK\$7,030,000 for the Reporting Period. The increase in other income was mainly due to the increase in performance and show income, bank interest income and management fee income from a total of approximately HK\$1,450,000 for the six months ended 30 June 2017 to approximately HK\$2,706,000 in Reporting Period. Other income of the Group mainly comprises examination handling fee income and gain on currency exchange difference.



Rental expenses of the Group during the Reporting Period was approximately HK\$11,030,913 (2017: approximately HK\$11,157,000), representing a significant decrease in rental expenses of approximately 1.1% as compared to the corresponding period of last year. The primary reason for the decrease in rental expenses was the relocation of the self-operated dance centres to Shatin upon expiry of the tenancy agreement. The decrease of the Group's rental expenses incurred during the Reporting Period was also attributable to the decrease in the rental expenses of the Group's leased dance centres and its head office.

Staff costs amounted to approximately HK\$12,886,000 during the Reporting Period (2017: approximately HK\$11,975,000), representing an increase of approximately 7.6%. The increment was mainly due to the increase in staff and teacher salary for kindergarten operation by approximately HK\$969,000 during the Reporting Period.

Other operating expenses of the Group was approximately HK\$15,925,000 during the Reporting Period (2017: approximately HK\$11,266,000), representing a significant increase of approximately 41.4% 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 travelling and consultancy fee for the business expansion during the Reporting Period.

The Group recorded a loss attributable to owners of the Company amounted to approximately HK\$8,288,000 for the Reporting Period while the Group recorded a loss attributable to owners of the Company amounted to approximately HK\$3,029,000 for the corresponding period of last year.

Although the Group recorded a decrease of revenue of approximately 5.4% to approximately HK\$28,876,000 for the six months ended 30 June 2018 as compared with the revenue of approximately HK\$30,519,000 for the corresponding period in 2017, the net loss was mainly due to additional costs in corporate development and operation of the new centre opened in 2018, which were reflected in the increase in (i) staff costs, (ii) finance costs, and (iii) professional fee for corporate development. Such new centres are in the early stage of developing and expected to grow continually.

SHARE CAPITAL

As at 30 June 2018, the authorised share capital of the Company was HK\$800,000,000, divided into 8,000,000,000 shares (the "Shares") of HK\$0.1 each and the issued share capital of the Company was HK\$35,410,000, divided into 354,100,000 shares of HK\$0.1 each.

SIGNIFICANT INVESTMENTS

The Group did not have significant investments for the six months ended 30 June 2018.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation through internally-generated cash flows and bank facilities provided by the banks during the period. As at 30 June 2018, the total bank balances and cash of the Group amounted to approximately HK\$127 million (As at 31 December 2017: approximately HK\$133 million) excluding the pledged bank deposit with fixed term of 3 years amounted to approximately HK\$0.3 million (As at 31 December 2017: HK\$0.3 million).

As at 30 June 2018, the current ratio (defined as total current assets divided by total current liabilities) was approximately 3.1 times as compared to that 3.5 times as at 31 December 2017.

As at 30 June 2018, the gearing ratio (calculating based on total bank borrowings and obligation arising from put options written to non-controlling shareholders of subsidiary and other payables divided by total equity and multiplied by 100%) was approximately 141.7% (As at 31 December 2017: approximately 122.1%).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 14 October 2014 (the “**Listing**”). There was no changes in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 June 2018, the authorised share capital of the Company was HK\$800,000,000 divided into 8,000,000,000 shares of the Company of HK\$0.1 each. As at 30 June 2018, the issued share capital of the Company was HK\$35,410,000 divided into 354,100,000 Shares.

COMMITMENTS

The contractual commitments of the Group were primarily related to the leases of its dance centres and office premises. The Group’s operating lease commitments amounted to approximately HK\$35.6 million as at 30 June 2018 (As at 31 December 2017: approximately HK\$50.5 million).

As at 30 June 2018, the Group did not have any significant capital commitments (As at 31 December 2017: Nil).

FOREIGN EXCHANGE EXPOSURE

As at 30 June 2018, the Group have certain other receivables and deposits which has exchanged to foreign currency denominated in Renminbi (“**RMB**”), which may expose the Group to foreign currency risk. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. The Group currently had no foreign currency hedging policy. However, the management will monitor foreign exchange position and will consider appropriate action should the circumstances change. The bank deposits, other receivables and deposits denominated in RMB as mentions above are equivalent to approximately HK\$0.7 million (As at 31 December 2017: HK\$43.4 million).

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group’s credit risk is primarily attributable to trade receivables, rental deposits, amounts due from related parties and pledged bank deposit and bank balances. In view of the business nature of the Group, the Directors considered that the credit risks of trade receivables are immaterial after considering the credit quality and financial ability of the relevant financial institutions and there is no history of delay or default in settlement by them. The management of the Group considered that the credit risks of rental deposits are insignificant after considering the financial ability of the counterparties. The management considered there was no recoverability problem from the related parties of the Group. The pledged bank deposit and the bank balances are deposited with banks which have good reputation.

To manage liquidity risk, the Board closely monitors the Group’s liquidity position to ensure that the liquidity structure of the Group’s assets, liabilities and commitments can meet its funding requirements.

CHARGE ON GROUP’S ASSETS

As at 30 June 2018, the Group pledged its bank deposit of HK\$0.3 million (As at 31 December 2017: 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 2018 and such bank deposit will be matured in year 2018.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group employed a total of 181 full-time and 94 part-time employees (As at 31 December 2017: 123 full-time and 91 part-time employees), respectively. The staff costs, including Directors' emoluments, of the Group were approximately HK\$12.9 million for the six months ended 30 June 2018 (2017: approximately HK\$12.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to a basic salary, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Company has adopted a share option scheme and share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong and the overseas. 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.

The Group has been proactive in seeking appropriate investment opportunities to expand its business scope and to diversify its existing business. In 2018, the Group officially stepped foot on the mainstream education market overseas through its acquisition of Columbia Academy and Columbia Junior Academy in Singapore (the "**Acquisition**"). For further details, please refer to the Company announcement dated 29 June 2018.

The Acquisition is in line with the business development plan and expansion plan of the Group. The Board believes that the Acquisition provides an excellent development platform and opportunity to expand its early childhood education business in international markets. The Group's core business — jazz and ballet and pop dance academy can generate synergies with mainstream education to expand its business in overseas markets and enhance the competitiveness of the Group. The Board believes that the Acquisition provides an excellent investment opportunity for the Group to further establish its position in targeting kids from 2 to 12 years old.

The Group will continue searching for suitable opportunities to expand its business in Hong Kong, the PRC and oversea markets.

USE OF PROCEEDS

- (a) The net proceeds from the open offer of a total of 101,200,000 new shares of HK\$0.1 each of our Company on 17 February 2017 (the "Open Offer") at a price of HK\$0.4 each were approximately HK\$39.5 million. In respect of the net proceeds raised from the Open Offer, up to the date of this report, (i) approximately HK\$0.6 million has been used for the professional fee of relevant compliance procedures in relation to the premise with the Building Department, Lands Department and Town Planning Board of the Hong Kong Government; (ii) approximately HK\$0.2 million has been used as general working capital for payment of rent; and (iii) approximately HK\$38.7 million is kept at bank for future use as project development costs as stated in the Prospectus.
- (b) The net proceeds from the placing of a total of 50,500,000 new ordinary shares of HK\$0.1 each of our Company on 14 June 2017 at the placing price of HK\$0.48 each (the "Placing") were approximately HK\$23.7 million. In respect of the net proceeds raised from the Placing, up to the date of this report, approximately HK\$23.7 million is kept at bank for future use as project development costs as stated in the Company announcements dated 15 May and 14 June 2017.


CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any significant contingent liabilities or guarantees (2017: Nil).

SUBSEQUENT EVENTS

On 18 September 2017, the Company entered into a sale and purchase agreement with Mr. Chiu Ka Lok and Dr. Chun Chun, pursuant to which Mr. Chiu and Dr. Chun have conditionally agreed to sell and the Company has conditionally agreed to purchase the entire issued share capital of Global Win (BVI) Limited at the consideration of HK\$32,000,000 which shall be satisfied by way of issue of consideration shares at the issue price of HK\$0.4 per consideration share by the Company at completion. All the conditions precedent under the sale and purchase agreement have been fulfilled and the completion took place on 31 July 2018. Reference is made to the Company announcements dated 18 September 2017, 16 October 2017, 23 November 2017, 1 January 2018, 13 February 2018, 3 April 2018, 14 May 2018, 11 June 2018, 20 June 2018, 6 July 2018, 23 July 2018 and 31 July 2018 in relation to the Acquisition.

On 29 June 2018, SDM International Investments Pte. Ltd., an indirectly wholly-owned subsidiary of the Company entered into a sale and purchase agreement with Ms. Ho Mui Kwei and Mr. Tan Yew Poh, pursuant to which SDM International Investments Pte. Ltd. has agreed to acquire for and Ms. Ho and Mr. Tan have agreed to sell the entire issued share capital of the Columbia Academy and Columbia Junior Academy, at a consideration of S\$2,288,000 (equivalent to approximately HK\$13,270,000). The completion of acquisition took place on 31 July 2018. For further details, please refer to the Company announcement dated 29 June 2018.



On 31 July 2018, the Group disposed of 15% of shareholding of Prism International Pre-school Limited to independent third parties for a total cash consideration of HK\$4,500,000. For details, please refer to the Company announcement dated 1 August 2018 and the Company supplemental announcements dated 1 August 2018 and 8 August 2018.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

(a) Interests of Directors and Chief executives

As at 30 June 2018, 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	198,750,000 (Note 1)	56.13% (Note 3)
Dr. Chun Chun	Family interest	198,750,000 (Note 2)	56.13% (Note 3)

Notes:

- (1) 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 198,750,000 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 June 2018, the total issued share capital of the Company was HK\$35,410,000 divided into 354,100,000 Shares of HK\$0.1 each.

Save as disclosed above, as at 30 June 2018, 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 June 2018, 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 or underlying Shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of Shares/ underlying Shares	Percentage of interests in the Company's issued share capital
Wealthy Together	Beneficial owner	198,750,000 (Note 1)	56.13% (Note 2)
Hui Pui Cheung	Beneficial owner	35,070,000	9.90% (Note 2)
Chen Jiaxin	Interest of a controlled corporation	28,000,000	7.91% (Note 2)
Tycoon Mind Limited	Beneficial owner	28,000,000	7.91% (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 June 2018, the total issued share capital of the Company was HK\$35,410,000 divided into 354,100,000 Shares of HK\$0.1 each.



Save as disclosed above, as at 30 June 2018, the Directors were not aware of any other persons (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 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 June 2018 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 2017, 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.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the six months ended 30 June 2018, 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 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 six months ended 30 June 2018.

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 interim results during the Reporting Period are unaudited and not reviewed by the external auditors of the Company. The Company's Audit Committee, comprising Mr. Lau Sik Yuen, Dr. Yuen Man Chun Royce and Mr. Lee Kwok Ho David, 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 six months ended 30 June 2018. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

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 and Ms. Yeung Siu Foon, as the non-executive Directors and Mr. Lau Sik Yuen, Dr. Yuen Man Chun Royce and Mr. Lee Kwok Ho David, as the independent non-executive Directors.

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

Hong Kong, 9 August 2018