SDM

Group Holdings Limited

2020 SDM

ANNUAL REPORT 年報

SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號 : 8363

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Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chiu Ka Lok *(Chairman)*
Mr. Chun Chi Ngon Richard
(Chief Executive Officer)

Non-executive Directors

Dr. Chun Chun
Ms. Yeung Siu Foon

Independent Non-executive Directors

Mr. Lau Sik Yuen (retired on 22 June 2020)
Dr. Yuen Man Chun Royce
Mr. Chak Chi Shing
Dr. Hung Siu Ying Patrick
(appointed on 21 September 2020)

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. Chak Chi Shing *(Chairman of Audit Committee)*
Mr. Lau Sik Yuen (retired on 22 June 2020)
Dr. Yuen Man Chun Royce
Dr. Hung Siu Ying Patrick
(appointed on 21 September 2020)

REMUNERATION COMMITTEE

Mr. Chak Chi Shing
(Chairman of Remuneration Committee)
Dr. Yuen Man Chun Royce
Mr. Chiu Ka Lok

NOMINATION COMMITTEE

Dr. Yuen Man Chun Royce
(Chairman of Nomination Committee)
Mr. Chun Chi Ngon Richard
Mr. Chak Chi Shing

AUDITORS

Grant Thornton Hong Kong Limited
(Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance)

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

Ocorian Trust (Cayman) Limited
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
Suites 3301–4, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
United Overseas Bank
DBS Bank Limited
Commonwealth Bank of Australia

WEBSITE ADDRESS

www.sdm.hk

STOCK CODE

8363

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of SDM Group Holdings Limited (the "**Company**"), it is my pleasure to present the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020.

BUSINESS REVIEW

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong and childcare services in Singapore. During the year 2020, the Group completed the acquisition of several companies which own pre-schools in Singapore in order to expand its presence in key overseas market in Asia.

For the Group's dance academy business, to cope with the intense competition and economy unsteadiness in the recent years, the Group had developed more resources to promote brand image and maintain quality services in order to consolidate our leading position in the industry. During the year 2020, the Group had 25 wholly-owned dance centres (the "**Centres**"). Through the development of the Centres, the Group further enhanced the competitive strengths of the Group by increasing the geographical coverage in Hong Kong.

In view of the immense growth in the early childhood education sector in Singapore, the Group has acquired several companies in the region which are principally engaged in the early childhood business since June 2018. Up to the end of 2020, the Group had 16 pre-schools operated in Singapore. The Group believes that such acquisitions provide an excellent development platform and opportunity to establish its own early childhood education brand and curriculum in Singapore, which will maximize return for the Group and the Shareholders as a whole in the long term.

The Group has been seeking for further investment opportunities in different education sectors to enhance the Group's revenue stream and explore potential synergy effect with the Group's existing early childhood education business.

During the year 2020, the Group completed the acquisition of Children's Services Education Pty Limited ("**CSE**") which has two colleges in Sydney and Melbourne, Australia. CSE is a registered training organisation in Australia and a specialist provider for national accredited vocational education and training courses on early childhood education and care which included both diploma-granting and certification-granting programmes.

The shares of the Company were successfully listed on GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 14 October 2014. It was a milestone for the Group which also boosted the confidence of the customers and the suppliers in efficiency of the operation and the provision of the quality services by the Group. Facing economic downturn the Group would therefore continue to adopt its previously stated strategy in broadening the development of the operation of day care centres, kindergartens, colleges and enrichment courses in order to generate a stable return for the Group.

To develop its kindergartens business, the Group cooperated with Chatsworth East Asia (BVI) Ltd, a corporation which operates international kindergartens, primary and secondary schools under the brand "Chatsworth" for over 20 years ("**Chatsworth**") to establish its kindergartens business in Hong Kong and Singapore.

CHAIRMAN'S STATEMENT

FORWARD

The Group has been actively seeking new business opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Group and the Shareholder's value.

The Group will continue to enhance the geographical coverage by opening and/or acquiring more dance centres in the future to strengthen our leading position in the industry. New centres will be located near populated residential areas in Hong Kong, in particular, in private housing estates, in areas close to a network of schools or which are currently without the presence of the Group's dance centres. In implementing the expansion plan, the Group will also consider to acquire existing dance centres from other players in the industry, if the right opportunity should arise, as the Group can be immediately benefited from the existing clientele base.

Meanwhile, the Company will also expedite its expansion in Singapore and other overseas markets to further broaden its source of income. The Group will adopt investment approach prudently to consider all potential mergers or acquisitions opportunities or cooperation with strong potential partners that could maximize Shareholders' return in the long term.

Going forward, the Group will implement a strategy to enhance the Group's current operation, which is to engage in the operation of day care centres, kindergartens, colleges and enrichment courses through acquisition and self establishment.

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my appreciation to our Shareholders, investors, business partners, suppliers, students and the parents for their continuous support and trust to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years. I look forward to a productive year in 2021 despite a challenging year ahead due to the outbreak of Coronavirus Disease 2019 ("**COVID-19**").

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

The Group is one of the largest dance institutions for children in Hong Kong and operates under the brand of "SDM Jazz & Ballet Academie" (SDM爵士芭蕾舞學院) which has established goodwill and gained brand recognition in Hong Kong. The shares of the Company were successfully listed on GEM of the Stock Exchange on 14 October 2014 (the "**Listing**"). In the recent years, the Company has expedited its expansion into education markets in Singapore and Australia.

As at 31 December 2020, the Group had 25 wholly-owned dance centres, one kindergartens in Hong Kong, 16 international pre-schools in Singapore and two colleges in Australia. Besides offering wide range of dance courses for children generally between the age of 1 and 16, the Group also develops operations of day care centres, kindergartens and enrichment courses in Singapore and colleges in Australia. The vision of the Group is to provide social and life experience to children at a young age through their participation in dance courses and pre-school activities, thereby nurturing their social interaction skills and confidence.

BUSINESS REVIEW

Hong Kong

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong, childcare business in Singapore and education business in Australia. During the year under review, competition in the dance institution industry for children in Hong Kong was intense. The Group continued to maintain and attract students to enroll in the Group's courses by developing new courses and enhancing courses to respond to changes in market trends so as to expand the Group's coverage and effectively market the courses to a broader base of students.

Singapore

Despite the outbreak of the COVID-19 pandemic, the school hours in Singapore were not affected to a large extent. The students continue having lectures and tutorials at school. Together with the Government support, the business performance for the education business and the Group's early childhood education business in Singapore was only slightly affected by the outbreak of the COVID-19 pandemic. The Group has made a proper and wise decision in development of early childhood education business in Singapore.

During 2020, the Group has completed acquisition of 8 childcare schools in Singapore, with a total of over 670 seats. The enrollment of these schools had been strong even under COVID-19 pandemic, maintaining an average of over 75% utilization during the year. The Group is confident that enrollment will remain strong after pandemic.

Although COVID-19 pandemic has delayed the opening of our flagship childcare school to June 2020, the student enrollment of the school has been extremely strong. With our effective marketing and school touring program, the student number has increased from nil to 62 in six months' time and over 100 as at date of this report.

During 2020, several schools of the Group has applied for the Government's Childcare Partner Operating Scheme ("CPOP") and has successfully entered into the program after 31 December 2020. This will greatly increase the competitiveness and reputation of the schools and expect to generate more student enrollments in coming 2021.

Taking into account of the above factors, the Directors consistently believe that the business environment in Singapore provides an excellent business development opportunity for the Group to further establish its position in the education market.

MANAGEMENT DISCUSSION AND ANALYSIS

Australia

The outbreak of COVID-19 pandemic brought adverse impact to the business in Australia. As most of the customers are overseas students, the total number of students dropped significantly as a result of the boundary lockdown in Australia. This resulted in a significant and adversely affected the financial performance of the business in Australia. Under the current global situation, the Group is in the view that release of travel restrictions amongst different countries may still take a long period of time. In order to minimize costs and release the Group from future cash flow burden, the Group has ceased its operation in Australia after 31 December 2020. However, the Group is still optimistic in the education market in Australia. The Group will not give up seeking opportunities in Australia if the haze of COVID-19 is eliminated and travel between different countries resumes to be normal.

Meanwhile, the Company will continue to expedite its expansion in the overseas market to diversify and further broaden the source of income. The Group will adopt investment approach prudently to consider all potential mergers or acquisitions opportunities or cooperation with strong potential partners to maximize Shareholders' return in the long term.

It is challenging year due to the outbreak of COVID-19 in 2020. The Company has implemented various measures, including launch of online teaching platforms and cost-saving measures, to cope with the adverse changes in environment.

FINANCIAL REVIEW

Revenue of the Group was mainly contributed by (i) dance academy business in Hong Kong (the "**Dance Academy Business**"), (ii) early childhood education business in Hong Kong and Singapore (the "**Early Childhood Education Business**") and (iii) two colleges in Australia (the "**Adult Education and Training Business**"). Total revenue increased by approximately HK$27.6 million from approximately HK$128.7 million for 2019 to approximately HK$156.3 million for 2020. The increase was mainly due to the contribution by the Early Childhood Education Business amounting to approximately HK$58.1 million (2019: HK$30.9 million) and by the Adult Education and Training Business amounting to approximately HK$42.1 million (2019: HK$15.2 million).

With the expansion of the Early Childhood Education Business and the Adult Education and Training Business, the portion of revenue contributed by the Dance Academy Business to the Group's revenue has been diluted since 2018. On the other hand, due to the expansion of the market share, the Early Childhood Education Business in Singapore will contribute to the growth of the Group's revenue in the future.

Other income of the Group increased significantly from approximately HK$31.2 million for the year ended 31 December 2019 to approximately HK$53.2 million for the year ended 31 December 2020. Other income of the Group mainly comprises government grants, COVID-19-related rent concessions, franchise fee income, management fee income, performance and show income, examination and competition handling fee income, interest income and sub-lease income. The increase was mainly attributable to receipt of government grants of approximately HK$22.0 million, COVID-19-related rent concessions of approximately HK$8.1 million, and franchise fee income of approximately HK$5.7 million net off with decrease in management fee income and interest income approximately from HK$10.2 million and HK$7.5 million respectively for 2019 to approximately HK$5.3 million and HK$2.0 million respectively for 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group recorded a loss attributable to the Shareholders amounting to approximately HK$311.8 million for the year ended 31 December 2020 while the Group recorded a loss attributable to the Shareholders amounting to approximately HK$98.8 million for the year ended 31 December 2019. Such increase in loss was mainly due to (i) the increase in loss on change in fair value of consideration payable by HK$70.1 million (2019: HK$27.2 million); (ii) the recognition of impairment loss on goodwill, property, plant and equipment and right-of-use assets of HK$113.3 million (2019: HK$0.7 million); and (iii) the increase in staff and teaching consultants services costs by approximately HK$37.0 million due to the increasing headcount in Singapore and Australia for business expansion during the year.

As at 31 December 2020, the Group had goodwill and intangible assets in the carrying amount of HK$99.1 million (2019: HK$83.6 million) and HK$78.5 million (2019: HK$13.3 million) respectively. They are mainly arisen from the acquisition of subsidiaries since 2018. Purchase price allocation for the acquisitions is performed by an independent professional valuer to determine the values of goodwill and intangible assets at the date of acquisition. Impairment assessment is made by the management at the end of the reporting period by comparing the recoverable amount of each cash-generating unit ("**CGU**") to the carrying amount. The recoverable amount of the relevant CGUs is determined based on a value in use calculation. Other than discount rate and terminal growth rate, other key assumptions related to the estimation of cash inflow and outflow which include projected revenues and operating expenses (e.g. selling expenses, rental expenses, staff costs and other general expenses). Apart from those disclosed in Note 17 to the consolidation financial statements, reasonably possible change in the key assumptions on which the management had based its determination of the CGU's recoverable amount would not cause an impairment loss.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation through internally-generated cash flows, private funds, individual investors and banking facilities during the year. As at 31 December 2020, the total bank balances and cash of the Group amounted to approximately HK$38.5 million (2019: approximately HK$66.4 million).

There were bank and other borrowings of approximately HK$2.3 million (2019: HK$5.5 million) borrowed by the Group and corporate bonds of approximately HK$50.0 million (2019: HK$71.0 million) issued by the Company which was classified as current liabilities as at 31 December 2020. In addition, the Group has issued convertible note with a face value of US$5 million (equivalent to HK$39 million) which was classified as current liabilities with carrying amount of approximately HK$41.6 million as at 31 December 2020 (2019: nil). As at 31 December 2020, the current ratio (defined as total current assets divided by total current liabilities) was approximately 0.25 times as compared to 0.64 times as at 31 December 2019.

In addition, the Group has issued convertible note with a face value of US$25 million (equivalent to HK$195.4 million). They are classified as non-current liabilities with carrying amount of approximately HK$248.0 million as at 31 December 2020 (2019: HK$204.5 million).

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM of the Stock Exchange on 14 October 2014. The share capital of the Group only comprises ordinary shares.

As at 31 December 2020 and 2019, 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 ("**Share(s)**"). As at 31 December 2020, the issued share capital of the Company was HK$38,460,000 divided into 384,600,000 shares (2019: HK$35,410,000 dividend into 354,100,000 shares).

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the Group had issued outstanding corporate bonds with carrying amount of principal of approximately HK$50 million (2019: approximately HK$71 million). The corporate bonds (with face value of HK$200,000 for each of the bonds) carry interest at 10% per annum and would mature on the day falling on the second anniversary of the date of issue.

As at 31 December 2020, the Group had outstanding convertible notes with carrying amount of approximately HK$289.7 million (2019: HK$204.5 million). The convertible note with face value of US$25 million (equivalent to HK$195.4 million) carries interest at 8% per annum and will mature on 31 March 2023. The convertible note with face value of USD5 million (equivalent to HK$39 million) carries interest at 8% per annum and will mature on 16 January 2024. The repayment of the convertible notes is guaranteed by the Company.

COMMITMENTS

The contractual commitments of the Group were primarily related to capital injection to and acquisition of subsidiaries.

Details of other commitments are set out in Note 40 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of material acquisitions and disposals are set out in Note 38 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS

There was no significant investment held by the Group as at 31 December 2020 (2019: financial investments amounted to HK$49.6 million).

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong. 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. The Group officially stepped foot on the mainstream education market overseas through its proposed acquisition of several pre-schools in Singapore since 2018 and it education business in Australia since 2019.

The acquisitions are in line with the business development plan and expansion plan of the Group. The Board believes that the acquisitions provide an excellent development platform and opportunity to expand its early childhood education business into international markets. The Group's core business — jazz and ballet and pop dance academy can generate synergies with mainstream education to expand its business into the overseas market 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 education and related business.

The Group will continue searching for suitable opportunities to expand its business into Hong Kong and overseas markets.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2020 (2019: Nil).

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2020, as set out in Note 42 to the consolidated financial statements the Group has certain bank deposits, other receivables and deposits which has exchanged to foreign currency denominated in Renminbi ("**RMB**"), United Stated Dollar ("**US$**"), Singapore Dollar ("**S$**") and Australian Dollar ("**AU$**") 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.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to trade and other receivables, loans receivables, amounts due from related parties and non-controlling shareholders of subsidiaries, pledged bank deposits and bank balances. In the 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 as well as the good settlement records from students and organisational customers of the swallowing and speech treatment. The management considered there was no recoverability problem from the related parties of the Group. The pledged bank deposits 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

The time deposits of HK$10,703,000 (2019: HK$9,835,000) were pledged to secure guarantees by banks issued to the landlords of properties leased by the Group for own use.

In addition, the entire shares in SDM Asia Limited and SDM Australian Education Limited held by the Group were pledged as securities for the outstanding convertible notes with carrying amount of HK$248.0 million (2019: HK$204.5 million) and HK$41.6 million (2019: nil) respectively.

EMPLOYEES AND REMUNERATION POLICIES

With the increase in the number of subsidiaries, staff and teaching consultants services costs of the Group, including Directors' emoluments, were approximately HK$121.5 million for the year ended 31 December 2020 (2019: approximately HK$84.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salaries, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS AFTER THE REPORTING DATE

Details of events after the reporting period of the Group are set out in Note 47 to the consolidated financial statement.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK$39.5 million raised from the open offer in February 2017, up to the date of this report, the actual use of the proceeds is summarised as below. Unless otherwise stated, capitalised terms used therein shall have the same meanings as those defined in the Company's prospectus of 25 January 2017 and the Company's announcement dated 3 December 2019 and 30 September 2020. (i) approximately HK$3.4 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$5.3 million has been used for the payments of rental expenses; (iii) approximately HK$6.6 million paid for rental deposit (iv) approximately HK$1.2 million paid for renovation of the kindergartens; (v) approximately HK$1 million paid for deposit paid for renovation of the kindergartens; (vi) approximately HK$0.3 million paid for purchasing furniture and equipment; (vii) approximately HK$1.6 million paid for other operating expenses for opening the kindergartens as the intended use of proceeds as stated in the prospectus dated 25 January 2017. The remaining proceeds amounted to HK$20.1 million and is kept at our banks for further development of early childhood education business as at 31 December 2020. Details are set out in the Company's prospectus dated 25 January 2017 and announcements dated 3 December 2019 and 30 September 2020.

Project A – for establishment of a kindergarten in Kowloon Tong

	Planned use of the Net Open Offer Proceeds as stated in the Prospectus HK$'million	Amount utilised in prior financial years HK$'million	Amount utilised during the year ended 31 December 2020 HK$'million	Total amount utilized up to the date of this report HK$'million
Professional fee of relevant compliance procedure	3.4	3.4	–	3.4
Payment of rental expenses	2.9	7.4	1.9	9.3
Renovation of the kindergarten	1.2	1.2	–	1.2
Purchase of furniture and equipment	1.1	0.3	–	0.3
Other operating expenses for the opening of the kindergarten	1.4	1.4	–	1.4
Total	10.0	13.7	1.9	15.6

Project B – for establishment of a kindergarten in Tseung Kwan O

	Planned use of the Net Open Offer Proceeds as stated in the Prospectus HK$'million	Amount utilised in prior financial years HK$'million	Amount utilised during the year ended 31 December 2020 HK$'million	Total amount utilized up to the date of this report HK$'million
Deposit paid for renovation of the kindergarten	11.3	1.0	–	1.0
Payment of rental deposit	10.8	6.6	–	6.6
Purchase of furniture and equipment	3.2	–	–	–
Other operating expenses for the opening of the kindergarten	4.7	0.2	–	0.2
Total	30.0	7.8	–	7.8

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the remaining balance from the Net Open Offer Proceeds was approximately HK$16.1 million (the "**Remaining Proceed**") which was kept at our bank for further development of kindergartens business. At that time, the Company intended to implement a strategy to enhance the Group's current operation by developing day care centres, kindergarten and indoor theme-based kid clubs as per the Prospectus and the Announcement. However, the outbreak of COVID-19 since early 2020 has brought uncertainties to the economic environment and has adversely impacted on the Group's business performance and financial resources, especially the Dance Academy Business and Adult Education and Training Business. The cashflow for these two segments was shortfall for the first eight months of 2020 and expect to continue in the rest of the year. As such, the Company plans to use the Remaining Proceed to replenish working capital for the Dance Academy Business and to support the operation for the headquarters in Hong Kong. In particular, it will be used for payments of rentals, salaries and other operating expenses. The Company expects that the Remaining Proceed will be utilized by the end of this year. A board meeting will be held to approve such change in use of the Remaining Proceed as soon as possible.

The Company will provide the details of the use of the Remaining Proceed as soon as practicable. Relevant announcements disclosing the intended use of the Remaining Proceed will be published when necessary.

CORPORATE GOVERNANCE REPORT

The Group is committed in achieving high standard of corporate governance that is essential for effective management, successful business growth and a healthy corporate culture in return to the benefits of the Company's stakeholders as a whole.

The Board has adopted and complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. The Directors of the Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Company.

The Board considers that the Company was in compliance with all applicable code provisions set out in the CG Code.

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 standards 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 throughout the year under review. Further the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the year under review.

THE BOARD OF DIRECTORS

As at 31 December 2020, the Board comprised seven Directors, including two executive Directors, namely Mr. Chiu Ka Lok and Mr. Chun Chi Ngon Richard, the two non-executive Directors are Dr. Chun Chun and Ms. Yeung Siu Foon, and the three independent non-executive Directors are Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing.

Mr. Chiu Ka Lok is the Chairman (the "**Chairman**") of the Board and Mr. Chun Chi Ngon Richard is the Chief Executive Officer (the "**CEO**") of the Company.

RESPONSIBILITIES OF THE BOARD

The overall management of the Company's business is vested in the Board which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All the Directors should make decisions objectively in the interests of the Company. The Board has the full support from the executive Directors and the senior management of the Company and discharge its responsibilities.

The day-to-day management, administration and operation of the Company are delegated to the executive Directors and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the executive Director(s) and senior management. The Board also assumes the responsibilities of maintaining high standard of corporate governance including, among others, developing and reviewing the Company's policies and practices on corporate governance, reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements, and reviewing the Company's compliance with the CG Code. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective delivery of the Board functions. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

The biographical details of the Directors are set out in the section headed "**Biographical Details of Directors and Senior Management**" on pages from 31 to 34 of this report.

The CEO is the father-in-law of the Chairman; Ms. Yeung Siu Soon is the spouse of the CEO and the mother-in-law of the Chairman; Dr. Chun Chun is the spouse of the Chairman and the daughter of the CEO and Ms. Yeung Siu Foon.

Save as disclosed above, the other Board members have no financial, business, family or other material or relevant relationships with each other.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. During the year ended 31 December 2020, the roles of the Chairman and the CEO are segregated and was held by Mr. Chiu Ka Lok and Mr. Chun Chi Ngon Richard respectively. There is clear division of responsibilities between the Chairman and CEO which provides a balance of power and authority.

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy (the "**Board Diversity Policy**") on the date of Listing. A summary of the Board Diversity Policy, together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

Summary of the Board Diversity Policy

The Company recognised and embraced the benefits of having a diverse Board to the quality of its performance. The Board Diversity Policy aimed to set out the approach to achieve diversity on the Board. In designing the Board's composition, Board diversity has been considered from a number of measurable aspects including gender, age, ethnicity, knowledge and length of services. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regards for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation and Monitoring

The Nomination Committee reviewed the Board's composition under diversified perspectives, and monitored the implementation of the Board Diversity Policy annually.

The Nomination Committee of the Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year.

CORPORATE GOVERNANCE REPORT

BOARD MEETING

Board meetings involve the active participation, either in person or through other electronic means of communication, the Directors discuss and formulate the overall strategies of the Group, monitor financial performance and discuss the annual and interim and quarterly results, as well as discuss and decide on other significant matters.

The Company Secretary assists in preparing the meeting agenda, and each Director may request the inclusion of items in the agenda. At least 14 days' notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all the Directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the Directors to review the documents.

All minutes of the Board meetings are recorded in detail and are properly kept by the Company Secretary, which are available for inspection at any reasonable time on reasonable notice by any Director.

Our chairman has held meeting with non-executive Directors without the presence of the executive Directors.

Monthly updates have been sent to the Directors by the management of the Company.

Participation of individual Directors at Board meetings in 2020 is as follows:

Name of Directors	Number of attendance/ number of Board meetings since respective appointment date
Number of meetings	6
Executive Directors:	
Mr. Chiu Ka Lok	6/6
Mr. Chun Chi Ngon Richard	6/6
Non-executive Directors:	
Dr. Chun Chun	6/6
Ms. Yeung Siu Foon	6/6
Independent non-executive Directors:	
Mr. Lau Sik Yuen (retired on 22 June 2020)	4/4
Dr. Yuen Man Chun Royce	6/6
Mr. Chak Chi Shing	6/6
Dr. Hung Siu Ying Patrick (appointed on 21 September 2020)	1/1

GENERAL MEETING

For the year ended 31 December 2020, the attendance record of each Director at general meetings is as follows:

Name of Directors	Number of attendance/number of general meeting since respective appointment date
Mr. Chiu Ka Lok	3/3
Mr. Chun Chi Ngon Richard	3/3
Dr. Chun Chun	3/3
Ms. Yeung Siu Foon	3/3
Mr. Lau Sik Yuen (retired on 22 June 2020)	2/3
Dr. Yuen Man Chun Royce	2/3
Mr. Chak Chi Shing	2/3
Dr. Hung Siu Ying Patrick (appointed on 21 September 2020)	0/0

Our chairman has attended the annual general meeting in 2020. The Notice of general meeting has been sent to the Shareholders at least 20 clear business days before the annual general meeting.

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

The Board has established three board committees, namely, audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**"), for overseeing particular aspects of the Company's affairs. All board committees have been established with defined written terms of reference. All the board committees should report to the Board on their decisions or recommendations made.

The Board is responsible for performing the corporate duties set out in the CG Code which included developing and reviewing the Company's policies and practices on corporate governance, training and continuous professional development of the Directors, the Company's policies are practices on compliance with legal and regulatory requirements, etc.

All board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance, at the Company's expense.

The practices, procedures and arrangements in conducting meetings of board committees follow in line with, so far as practicable, those of the board meeting set out in above.

Audit Committee

The Company established the Audit Committee on 26 September 2014 with written terms of reference in compliance with the GEM Listing Rules, in accordance with provisions set out in the CG Code which are available on the websites of the Stock Exchange and the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing. The chairman of the Audit Committee is Mr. Chak Chi Shing, who has appropriate professional qualifications and experience in accounting matters.

The primary duties of the Audit Committee are mainly to review the financial information and reporting system, risk management and internal control system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control, risk managements or other matters of the Company.

The Audit Committee held 6 meetings during the year. The Group's unaudited quarterly results for the three months ended 31 March 2020 and the nine months ended 30 September 2020, unaudited interim results for the six months ended 30 June 2020 and audited annual results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. KPMG resigned from the office of auditor of the Company with effect from 13 January 2021. The Audit Committee has received the proposal for change of auditors to Grant Thornton Hong Kong Limited. The Board, with the recommendation from the Audit Committee, has resolved to appoint Grant Thornton Hong Kong Limited as the auditor of the Company to fill the casual vacancy following the resignation of KPMG and to hold office until the conclusion of the next annual general meeting of the Company.

The attendance record of each member of the Audit Committee, the Nomination Committee and the Remuneration Committee is as follows:

	Number of attendance/number of meetings since respective appointment date		
Name of Directors	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Number of meetings	6	1	1
Mr. Lau Sik Yuen (retired on 22 June 2020)	4/4	N.A	N.A
Dr. Yuen Man Chun Royce	6/6	1/1	1/1
Mr. Chiu Ka Lok	N.A	1/1	N.A
Mr. Chun Chi Ngon Richard	N.A	N.A	1/1
Mr. Chak Chi Shing	6/6	1/1	1/1
Dr. Hung Siu Ying Patrick (appointed on 21 September 2020)	1/1	N.A	N.A

The Directors acknowledge their responsibilities for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimate that are prudent and reasonable. As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern as details set out in Note 2.1 to the Consolidated Financial Statements. The Directors' responsibilities in the preparation of the consolidated financial statements and the auditors' responsibilities are set out in the Independent Auditor's Report from pages 47 and 48 of this report.

Remuneration Committee

The Remuneration Committee of the Company was established on 26 September 2014 in accordance with CG Code. The Remuneration Committee comprises one executive Director, namely Mr. Chiu Ka Lok and two independent nonexecutive Directors, namely Mr. Chak Chi Shing and Dr. Yuen Man Chun Royce. Mr. Chak Chi Shing is the chairman of Remuneration Committee. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The remuneration has been charged with the responsibility of making recommendations to the Board on the appropriate policy and structures for all aspect of Directors and senior management. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

Details of the Directors' emolument and remuneration paid to the senior management (excluding the Directors) for the year ended 31 December 2020 are set out in Note 14 to the consolidated financial statements.

Nomination Committee

The Nomination Committee of the Company was established on 26 September 2014. The Nomination Committee comprises one executive Director, namely Mr. Chun Chi Ngon Richard and two independent non-executive Directors, namely Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing. Dr. Yuen Man Chun Royce is the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The primary duties of the Nomination Committee are mainly to review and monitor the structure, size and composition of the Board to complement the Company's corporate strategy; identify suitable candidates for appointment as directors; make recommendations to the Board on appointment or re-appointment of a succession planning for directors; and assess the independence of independent non-executive Directors.

The Nomination Committee considered the past performance, qualification, general market conditions, the board diversity and the Company's articles of association in selecting and recommending candidates of directorship. The Nomination Committee discussed and reviewed the re-election of Directors.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Company has arranged appropriate insurance coverage in respect of legal action against Directors and senior management of the Group in the course of execution of their duties on good faith.

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

The articles of association of the Company (the "**Articles**") provide that subject to the manner of retirement by rotation of directors as from time to time prescribed by the GEM Listing Rules, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years.

All the existing independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each independent non-executive Directors is required to inform the Company as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these independent non-executive Directors to be independent.

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

Our Directors are kept informed from time to time on the latest development of any changes to the regulatory requirements and the progress of compliance of applicable rules and regulations by the Company. Our Directors will also be updated from time to time on the business development and operation plans of the Company.

All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices. The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group received by the Directors for the year ended 31 December 2020 is as follows:

Name of Directors	Training on corporate governance, regulatory development and Directors other relevant topics
Executive Directors:	
Mr. Chiu Ka Lok	✓
Mr. Chun Chi Ngon Richard	✓
Non-executive Directors:	
Dr. Chun Chun	✓
Ms. Yeung Siu Foon	✓
Independent non-executive Directors:	
Mr. Lau Sik Yuen (retired on 22 June 2020)	✓
Dr. Yuen Man Chun Royce	✓
Mr. Chak Chi Shing	✓
Dr. Hung Siu Ying Patrick (appointed on 21 September 2020)	✓

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholder investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimizes the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatements or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Board has concluded that:

(a) the Group has an internal audit function;

(b) the risk management and internal control systems are reviewed annually; and

(c) a review of the effectiveness of the risk management and internal control systems has been conducted and the Group considers them effective and adequate.

The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. Controls are monitored by management review and by a programme of internal audits.

AUDITORS' REMUNERATION

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 December 2020 amounted approximately HK$4,280,000 (2019: approximately HK$2,640,000). Non-audit services incurred during the year amounted approximately HK$32,000 (2019: approximately HK$29,000).

COMPANY SECRETARY

The company secretary of the Company (the "**Company Secretary**") is responsible for distributing detailed documents to the Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. And all Directors have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures, and all applicable rules and regulations, are followed.

Mr. Au Wai Keung ("**Mr. Au**") is the Company Secretary who is an external service provider and its primary corporate contact person at the Company is Mr. Chiu Ka Lok, Chairman of the Company. Mr. Au has taken no less than 15 hours of relevant professional training for the year ended 31 December 2020.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

Right to Convene Extraordinary General Meeting

The following procedures for Shareholders to convene an extraordinary general meeting are subject to the Articles (as amended from time to time), and the applicable legislations and regulations, in particular the GEM Listing Rules (as amended from time to time):

(a) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the "**Eligible Shareholder(s)**") carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition;

(b) eligible Shareholders who wish to convene an EGM must deposit a written requisition (the "**Requisition**") signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Room 202B, 2/F, Liven House, 61–63 King Yip Street, Kwun Tong, Hong Kong or Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for the attention of the Board and/or the Company Secretary;

(c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company's expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered shareholders;

(d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company's expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and

(e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Right to Put Forward Proposals at General Meetings

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law (Revised) of Cayman Islands. However, pursuant to the Articles, Shareholders who wish to move a resolution may by means of Requisition convene an EGM following the procedures set out above.

Right for Raising Enquiries to the Board

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's Hong Kong share registrar (details of which are set out in the section headed "**Corporate Information**" of this report).

CORPORATE GOVERNANCE REPORT

Should there be any enquiries and concerns from the Shareholders, they may send in written enquiries addressed to the head office and principal place of business of the Company in Hong Kong at Room 202B, 2/F., Liven House, 61–63 King Yip Street, Kwun Tong, Hong Kong by post for the attention of the Board and/or the Company Secretary.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

DIVIDEND POLICY

The Company may declare and pay dividends to the Shareholders by way of cash or by other means that the Board considers appropriate. It is the policy of the Board, in recommending dividends, to allow the Shareholders to participate in the Company's profits, and at the same time, to ensure that the Company is to retain adequate reserves for future growth.

Any proposed distribution of final dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the results of operations, cash flows, financial conditions, operating and capital expenditure requirements, distributable profits and other applicable laws and regulations and other factors that the Board may consider important and appropriate.

INVESTORS RELATIONS

The Company has established a range of communication channels between itself, its Shareholders, and investors. These include answering questions through the annual general meeting, the publication of annual, interim and quarterly reports, notices, announcements and circulars, the Company's website at www.sdm.hk and meetings with investors and Shareholders. News update of the Group's business development and operation are also available on the Company's website.

CONSTITUTIONAL DOCUMENTS

During the year under review, there has no change in the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

SDM Group Holdings Limited (the "Company") (Stock Code: 8363) and its subsidiaries (collectively the "Group" or "We") is pleased to present the Environmental, Social and Governance ("ESG") Report in accordance with the Environment, Social and Governance Reporting Guide ("ESG Guide") set out in Appendix 20 to the GEM Listing Rules published by the Stock Exchange of Hong Kong Limited. For the information of our corporate governance, please refer to the "Corporate Governance Report" in the annual report.

This ESG report mainly covers the major activities of the Group in Hong Kong presenting our sustainability approach and performance in environmental and social aspects of our business for the reporting period from 1 January 2020 to 31 December 2020 ("This year"). The Key Performance Indicators ("KPI") disclosure of This year will be focused on our head office and gradually expanded to the dance centres in the future. The Group continues strengthening information collection in order to enhance our performance in environmental realm and to disclose relative information of sustainable development.

VISION ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

As sustainability is essential to the Group's cultural values, it is committed to sustainable development by investing in the economic, social and environmental well-being into their business decision-making. In order to maintain a quality standard of life for both the present and future generations, the Group also promotes environmental protection, makes positive contribution and creates long-term value in the communities through engaging in various charitable events and workshops.

During This year, the Group committed to a high standard of corporate social responsibility and strictly complied with relevant laws and regulations reporting.

The table underneath showed aspects on the ESG Guide to be assessed and those ESG issues were determined to be material to the Group.

ESG Aspects as set forth in ESG Guide			Material ESG issues for the Group
(A)	**Environmental**		
	A1	Emissions	Emission from town gas or Vehicle
	A2	Use of Resources	Use of energy
	A3	Environment and Natural Resources	
(B)	**Social**		
	B1	Employment and Labour Practices	Labour practices
	B2	Health and Safety	Workplace health and safety
	B3	Development and Training	Employee development and training
	B4	Labour Standards	Anti-child and forced labour
	B5	Supply Chain Management	Supply chain management
	B6	Product Responsibility	Product responsibility
	B7	Anti-corruption	Anti-corruption, fraud prevention and anti-money laundering
	B8	Community Involvement	Community programs, employee volunteering and donation

A. ENVIRONMENTAL

The Group keeps on strictly complying with the laws and regulations relating to the environmental protection. To minimise the environmental impacts concerning the activities, products and services, the Group will:

- comply with applicable legal and other requirements which relate to the Group's environmental aspects, and to which the Group subscribes;
- identify environmental impacts associated with the operations and set the targets to reduce stress on the environment in consideration of social expectations;
- prevent pollution, reduce waste and minimise the consumption of resources from all daily operations and actively promote recycle, reuse and replace;
- educate, train and motivate employees to develop a social viewpoint that enables them to conduct business activities in an environmentally responsible manner.

A1.1 Emissions Data from Gaseous Fuel Consumption

As the Group principally engages in the business of jazz and ballet and pop dance academy, the direct impact to the environment is immaterial with relatively low energy, power and water consumption and low generation of hazardous waste.

As part of the efforts to minimise the impact to the environment, the Group applies energy saving measures in the workplace including installation of an energy-saving lighting system, setting optimal temperature on the air-conditioning, and switching-off the lighting and air-conditioning after office hours.

(a) Since the Company did not have town gas consumption during This year, no emissions data applied.

(b) The Company has owned motor vehicle during This year, the emissions data from vehicle applied are set out below:

	2020	2019	Unit
NOx	**1,925**	1,008	Grams
SOx	**94**	20	Grams
PM	**142**	74	Grams
Total	**2,161**	1,102	Grams

There was significantly decrease of motor vehicle emission due to a decrease in usage during This year. There were no non-compliance cases noted in relation to environmental laws and regulations for This year.

A1.2 Greenhouse Gas Emission

	2020	2019	Unit
Scope 1			
Direct emission	**38,692**	3,632	$KgCO_2e$
Scope 2			
Indirect emission	**437,156**	556,401	$KgCO_2e$
Scope 3			
Other indirect emission	**132,531**	36,872	$KgCO_2e$
Total	**608,379**	596,905	$KgCO_2e$

During This year, there was 608,379 $KgCO_2e$ (2019: 596,905 $KgCO_2e$) of greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation. As the development of COVID-19, there was a significant decrease of Indirect emission. Other indirect emission increase mainly from the use of paper. Total no. of facilities[1] for the Group was 48 in 2020 (2019: 36). The annual emission intensity was 12,675 $KgCO_2e$/facility (2019: 16,533 $KgCO_2e$/facility). The increase was mainly due to increase in the number of childcare centres in Singapore.

Note 1. Total no. of facilities in 2020 includes one head office, 25 self-operated dance centres, 2 kindergartens in Hong Kong; one headquarters and 16 childcare centres in Singapore; one headquarters and 2 college campuses in Australia.

A1.3 Non-hazardous Waste

During This year, the Group generated 24.5 tonnes (2019: 5 tonnes) non-hazardous waste in its operation. Non-Hazardous waste from the Group's operations was mainly office paper but the management of the Group believed that the wastage of this aspect was insignificant.

A2.1 Use of resource

Energy

The energy consumed is mainly from purchase of electricity. The total electricity consumed are set out below:

	2020	2019	Unit
Electricity	**951,263**	803,614	kWh
Petrol	**6,412**	12,285	Liter

Water

The total water consumed is set out below:

	2020	2019	Unit
Water consumed	**7,860**	3,806	M^3
No. of facilities	**48**	36	Facility
Water consumed per facilities	**163.7**	105.7	M^3/facility

The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in all business practices and contribute to the sustainable development of the environment. The Group is committed to a series of resource procedures to fully utilise and recycle resources in the daily business operations. For instance, the Group advocates employees to reduce the usage of papers by encouraging internet communication, assessing the necessity of printing, applying duplex printing, and reusing any single-sided printed papers where appropriate. Also, for reducing the water consumption, employees are reminded to turn off the faucet tight after use.

Apart from that, environmental-friendly suppliers have been its preference when procuring office stationery, the brand of paper used is Programme for the Endorsement of Forest Certification ("PEFC") certified which means the product is from sustainably managed forests, recycled and controlled resources.

A3 Environmental and Natural Resources

Air Quality

The Group's water consumption was minimal, hence good indoor air quality has always been top of the priorities. Pollutants such as ozone produced by photocopiers, stale air drawn in from outside through poorly located fresh air inlets and bacteria that entered the office or accumulated in the ventilation system as a result of poor maintenance can be accumulated indoors if the design, operation and maintenance are improper.

To improve indoor air quality, a range of air pollution prevention measures have been implemented by the Group as follows:

- Ensure air inlets are away from any source of pollutants and sufficient ventilation systems;
- Test the level of dust and micro-organism in the air;
- Clean all air units regularly (e.g. air inlets, air outlets and filters); and
- Perform regular maintenance on carpet and furniture upholstery.

In compliance with the Air Pollution Control Ordinance, the Group has been placing more efforts in reducing the emission levels in the operation office.

Being a responsible business and employer, the Group is committed to consistently looking for ways to meet the corporate social responsibilities. The Group focuses on its staff, environment and community as well as its business partners.

B. SOCIAL

B1 Employment and Labour Practices

The Group advocates a community spirit that thrives on mutual respect and equal opportunities. The Group complies strictly to equal opportunities legislation including but not limited to the Sex Discrimination Ordinance, the Race Discrimination Ordinance, the Disability Discrimination Ordinance and Family Status Discrimination Ordinance. To ensure diversity and equality, the selection process is non-discriminatory and is solely based on the employees' performance, experience and skills. Employees are also encouraged to communicate with their senior management their opinions and targets in job advancement and career development.

The Employment of Children Regulations and Employment of Young Persons (Industry) Regulations made under the Employment Ordinance prohibits all employers engaging child and forced labour in the workforce and regulate the hours of work and general conditions of employment of young persons in industrial undertakings. With compliance to relevant laws and regulations, the Group did not and will not engage in any forced or child labour. The Staff Code of Conduct is enclosed in the Compliance Manual, which is readily accessible to all employees.

To attract, develop and retain qualified employees, the Group is committed to offering professional development opportunities and a healthy working environment for all employees. Salaries and wage rates are usually subjected to an annual review that are based on performance appraisals and other relevant factors. The Group also provides equal opportunities for all employees along with competitive remuneration and strongly encourages internal promotion and a variety of job opportunities is offered to the existing staff when it is best suited.

The Group's remuneration policies are formulated on the performance of employees with reference to the market condition. For the purpose of ensuring there are formal and transparent procedures for setting policies on the remuneration for the Directors, the Remuneration Committee was established.

There were no non-compliance cases noted in relation to employment and labour standards laws and regulations for This year.

Staff Composition

As at 31 December 2020, the Group employed a total of 517 (2019: 526) staffs, including operating staffs in dancing center, kindergarten, speech centre, childcare centres and college campus and management and supporting staffs in head quarter. All staff members are allocated in Hong Kong, Singapore and Australia.

(a) Employee's Age and Gender Distribution

Age group	**2020**	2019
<30	**27%**	24%
31-50	**52%**	60%
>50	**21%**	16%
By gender	**2020**	2019
Male	**14%**	22%
Female	**86%**	78%

(b) Turnover Rate by Age Group and Gender

Age group	**2020**	2019
<30	**8%**	10%
31-50	**15%**	19%
>50	**5%**	4%
By gender	**2020**	2019
Male	**41%**	15%
Female	**59%**	85%

The Group will continue to provide a well-structured and caring environment to employees to raise their sense of belonging and work efficiency in the Group.

B2 Employee Health and Safety

To safeguard employees' occupational health and safety, the Group continues focusing on providing a safe, healthy and comfortable environment for its employees to avoid any accident, and complies with the relevant laws and regulations. During This year, the Group endeavor to keep its workplaces clean to maintain safe work environment for its employees.

There were no non-compliance cases noted in relation to health and safety laws and regulations during This year.

(a) Occupational Health and Safety Data

Health and Safety	2020	2019
Number of work-related		
Fatalities	**0**	0
Lost days due to work injury	**23**	0
No. of staff injured	**1**	0

B3 Development and Training

To encourage employees' development and continuous training, the Group provides various training programs to employees for long-term development, and updates their knowledge and skills to maintain their professional competence and enrich the quality of services. During This year, online trainings related to sale skills and internal exchange meeting were held. Due to the development of COVID-19, the Group did not held external training overseas This year.

B4 Labour Standard

No forced labour was employed in the Group's operations during This year which was in compliance with the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management.

The Group lists specific requirements on advertisement to hire the most suitable candidate. All resume, original identification card, original certificate should be first checked by human resources ("HR") department during interview. HR department also contacts candidate's preceded employer for reference.

Equal opportunities are given to employees in respect of recruitment, training and development, job advancement, and compensation and benefits. The employees are not discriminated against or deprived of such opportunities on the basis of gender, ethnic background, religion, race, sexual orientation, age, marital status, family status, retirement, disability, pregnancy or any other discrimination prohibited by applicable law. The Group also appreciates the importance of cultural diversity in the development of the Group, and employs employees in a wide range of ages, genders, and ethnicities.

In particular, the Group adopted Board Diversity function under which the Board composition includes members from different skills, industry knowledge, experience, education, background and other qualities without discrimination.

B5 Supply Chain Management

To comply with the laws and regulations, the Group has established stringent internal controls on the procurement of goods and materials through fair and unbiased tendering process. The criteria for selection of subcontractors and suppliers are based on specifications and standards, product and service quality as well as after service support.

The Group selects qualified suppliers carefully to ensure that the entire production process is in line with its standards and rules. The Group not only requests its new suppliers to submit all relevant documents, for review but also conducts rigorous check to assess their reliability. The Group carries out inspections and assessments regularly on suppliers' standards, and will terminate collaboration with unqualified suppliers.

B6 Product Responsibility

The Group makes its best effort to keep students' data confidential and complies with all relevant laws and regulations. Parents of our students are required to agree on terms of use of information in the application form according to the rules and regulations. Any disclosure of students' information to third party organization needs to obtain consent from parents. The Group always ensures all hard copies of students' information will be shredded after the required retention period.

The Group recognises that good customer and after-sales services are the key factors influencing the success and sustainability of the business. In order to cater for the needs of prompt response to customers, the Group has set up a range of communication channels among different business units to handle customers' queries efficiently.

The Group emphasises the importance of protecting and safe-guarding its customers' privacy. Thereby, the Group has been very cautious when collecting, processing and using customers' personal data in order to comply with the provisions of the Personal Data (Privacy) Ordinance. There were no non-compliance cases noted in relation to data privacy related laws and regulations during This year.

B7 Anti-corruption

The Group has an established procedure for dealing with students, parents and business partners. The Group emphasises integrity and prevents unethical pursuit from occurring in complying with relevant laws and regulations. Thus, whistle-blowing channels are implemented for this purpose. The Group encourages reporting suspected wrongdoings and business irregularities, e.g. breach of duty, abusing the power or receiving bribes.

There was no non-compliance in relation to corruption or money laundering related laws and regulations during This year.

B8 Community Involvement

Through jazz and ballet, pop dance and dancing shows, the Group encourages children to build up positive energy, realize their potential and share their passion for dancing with the others in the society.

In addition, the Group does not focus on individual activities only, but is also keen on participating in all-rounded community engagement services, from community services to environmental protection activities.

During This year, in the development of the COVID-19, no social activities were held during the reporting period. In This year, the Group keep made donation to charity. The Group had made SGD17,210 to Make a Wish Foundation in Singapore This year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chiu Ka Lok (趙家樂) ("Mr. Chiu"), aged 45, is our chairman and executive Director. He was appointed as our Director on 12 February 2014 and was re-designated as an executive Director on 24 March 2014. Mr. Chiu is also the member of the remuneration committee of the Company. Mr. Chiu founded our Group in May 2006. Mr. Chiu is primarily responsible for the overall corporate strategies, management and business development of our Group. Prior to establishing Shelly De Mozz, Mr. Chiu was engaged in the production and sales of education software to primary and secondary school teachers. Mr. Chiu was awarded the "Quality Education Fund" from the Government of Hong Kong in 1997 for a "Teachers Learning Programme" project. Since then, Mr. Chiu has continued to develop his career and team in the education industry. Mr. Chiu has approximately ten years of experience in children education and management. Mr. Chiu is the chief executive officer of the Hong Kong Speech and Swallowing Therapy Centre, a company principally engaged in providing swallowing and speech treatment, responsible for business development. He is also a director of Pok Oi Hospital, a charitable organisation providing various services to the local community including child care and education. Mr. Chiu graduated from The University of Science & Technology, Hong Kong, in November 1998, with a bachelor's degree in computer engineering.

Mr. Chiu is the spouse of Dr. Chun Chun, a non-executive Director of the Company and the son-in-law of Mr. Chun Chi Ngon Richard, an executive Director of the Company and Ms. Yeung Siu Foon, a non-executive Director of the Company.

Mr. Chiu had not been a director of any other listed company for the last three preceding years.

Mr. Chun Chi Ngon Richard (秦志昂) ("Mr. Chun"), aged 73, is our chief executive officer and executive Director.

Mr. Chun was appointed as our Director on 12 February 2014 and was redesignated as an executive Director on 24 March 2014. Mr. Chun is also the member of the nomination committee of the Company. Mr. Chun joined our Group in May 2006. Mr. Chun is primarily responsible for procurement, administration and inventory management. Mr. Chun has over 20 years of experience in procurement. Prior to joining our Group, Mr. Chun was the general manager of Mandarin Fashions Limited, a company principally engaged in clothing, from January 1984 to April 1998, and was responsible for the overall management of the Company, meeting customers, purchase order negotiation and finalisation, purchase of raw materials, production supervision, sale of products and exports management.

Mr. Chun is the father-in-law of Mr. Chiu Ka Lok, an executive Director of the Company and the father of Dr. Chun Chun, a non-executive Director of the Company. Mr. Chun is also the spouse of Ms. Yeung Siu Foon, a non-executive Director of the Company.

Mr. Chun had not been a director of any other listed company for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Dr. Chun Chun (秦蓁) ("Dr. Chun"), aged 45, was appointed as our non-executive Director on 24 March 2014. Dr. Chun has approximately 13 years of experience in speech & swallowing therapy. Dr. Chun has worked as a consultant of Hong Kong Speech & Swallowing Therapy Centre, a company principally engaged in providing swallowing and speech treatment. She was responsible for the provision of assessment and treatment for patients and training for internal staff since June 2006. Dr. Chun also worked in various hospitals or bureau. From August 2003 to December 2004, she was the speech and language consultant of the Hong Kong Education Department. From December 2001 to December 2002 and November 1999 to October 2001, Dr. Chun was the speech therapist of Tung Wah Eastern Hospital and Pamela Youde Nethersole Eastern Hospital, respectively. Dr. Chun obtained a bachelor's degree and doctorate's degree in Speech and Hearing Sciences from The University of Hong Kong, Hong Kong, in December 1999 and December 2007, respectively. Dr. Chun is a certified VitalStim Therapy Provider, Deep Pharyngeal Neuromuscular Stimulation Provider and an administrator of the Lee Silverman Voice Treatment.

Dr. Chun is the spouse of Mr. Chiu, an executive Director of the Company and the daughter of Mr. Chun Chi Ngon Richard, an executive Director of the Company and Ms. Yeung Siu Foon, a non-executive Director of the Company.

Dr. Chun had not been a director of any other listed company for the last three preceding years.

Ms. Yeung Siu Foon (楊少寬) ("Ms. Yeung"), aged 70, was appointed as our non-executive Director on 24 March 2014. Ms. Yeung has approximately 16 years of experience in education sector as a teacher. From July 1968 to January 1970, Ms. Yeung worked as a panel teacher in Chiu Kwong Kindergarten. From January 1970 to August 1985, Ms. Yeung worked as a panel teacher and kindergarten officer in Rainbow Middle School. Ms. Yeung graduated from Macao Saint Joseph's Kindergarten College, Macao, in June 1967, with a secondary certificate in kindergarten teacher.

Ms. Yeung is the mother-in-law of Mr. Chiu Ka Lok, an executive Director of the Company and is the mother of Dr. Chun Chun, a non-executive Director of the Company. Ms. Yeung is also the spouse of Mr. Chun Chi Ngon Richard, an executive Director of the Company.

Ms. Yeung had not been a director of any other listed company for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Yuen Man Chun Royce (袁文俊) ("Dr. Yuen"), aged 56, was appointed as our independent non-executive Director on 26 September 2014. Dr. Yuen is also the chairman of the nomination committee of the Company and the member of the audit committee and remuneration committee of the Company. Dr. Yuen has over 30 years of experience in brand-building and marketing management. Dr. Yuen has been the chief executive officer of MaLogic Holdings Limited, a company principally engaged in research, marketing, and brand consulting, since May 2015. Dr. Yuen was the chairman of Ogilvy & Mather Advertising, a company principally engaged in offering integrated marketing communications solutions; from April 2003 to January 2010, he was responsible for managing the operation and profit and loss of Ogilvy's Group. From January 2010 to June 2011, Dr. Yuen was an executive director of Fantastic Natural Cosmetics Limited (FANCL), a company principally engaged in the sale of skincare and health supplements. He was responsible for leading its global strategic planning and brand development. Dr. Yuen is also the chairman of The Association of Accredited Advertising Agencies of Hong Kong, from December 2005 to December 2009, the trade association of advertising agencies in Hong Kong. Dr. Yuen obtained an Honour Diploma in Communications from Hong Kong Baptist University, Hong Kong, in December 1987, a master's degree in Marketing from Macquarie University, Australia, in September 1996, and a doctorate's degree in business administration from Hong Kong Polytechnic University, Hong Kong, in November 2000. Dr. Yuen is a Visiting Associate Professor of The University of Hong Kong and a Professor of Practice of The Hong Kong Polytechnic University. Dr. Yuen was the council member of the Hong Kong Trade Development Council (2009 – 2015) and the Hong Kong Academy for Performing Arts (2010 – 2016), and an advisory board member for a number of not-for-profit and government departments, including being an advisor to Our Hong Kong Foundation. Dr. Yuen was appointed Justice of the Peace by the HKSAR in 2010 and conferred Honorary Fellowship in 2015 by the Hong Kong Polytechnic University.

Dr. Yuen had not been a director of any other listed company for the last three preceding years.

Mr. Chak Chi Shing (翟志勝) ("Mr. Chak"), aged 40, was appointed as our independent non-executive Director on 15 May 2019. Mr. Chak is also the chairman of the remuneration committee of the Company and the member of the audit committee and nomination committee of the Company. Mr. Chak obtained a bachelor's degree in accounting and finance from Curtin University of Technology in Australia. Mr. Chak is a member of CPA Australia and Hong Kong Institute of Certified Public Accountants. Mr. Chak has over 13 years of professional experience in auditing, accounting, corporate finance and financial management and also has years of experience in company secretarial and corporate governance. Mr. Chak is currently the chief financial officer, company secretary and an authorised representative of Tokyo Chuo Auction Holdings Limited (stock code: 1939) from 13 September 2019 and the company secretary and an authorised representative of Hao Wen Holdings Limited (stock code: 8019) from 2 January 2020. Mr. Chak was the executive director of China Shenghai Food Holdings Company Limited (stock code: 1676) from December 2018 to September 2019. Mr. Chak served as the company secretary of Bolina Holdings Co., Ltd. (stock code: 1190) from March 2017 to August 2018, and the company secretary of the Company from March 2016 to July 2016.

Save as disclosed above, Mr. Chak had not been a director of any other listed company for the last three preceding years.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Hung Siu Ying Patrick (洪小瑩) ("**Dr. Hung**"), aged 55, obtained a Doctor of Philosophy degree in Electrical Engineering and a Master of Science degree in electrical engineering from Stanford University, and a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong. Dr. Hung was a consulting assistant professor at Stanford University Computer Systems Laboratory from 2003 to 2009. Dr. Hung co-founded Velosti Technology Limited in 2009 and Alta Sicuro Technology Limited in 2015. He was an external examiner at The Hong Kong Polytechnic University and an external assessor at City University of Hong Kong. Dr. Hung was a Taishan scholar in Shandong Province in China and a Confederation of British Industry Overseas scholar in the United Kingdom.

Dr. Hung had not been a director of any other listed company for the last three preceding years.

SENIOR MANAGEMENT

Ms. Chan Yuen Hong (陳遠航) ("Ms. Chan"), aged 47, joined our Group in April 2007 as marketing officer and was promoted as our general manager and dean of SDM Jazz & Ballet on July 2007. She is primarily responsible for overall school operation including strategic planning, development of curriculum, marketing and general business operation of SDM Jazz & Ballet Academie. Ms. Chan has approximately 15 years of experience in management and marketing. From June 2005 to February 2006, she was the development executive of MV Destination Limited, a company principally engaged in providing event management services, responsible for marketing, promotion and event co-ordination. From July 1998 to July 2003, she was the senior marketing manager of Gold Royal International Enterprise Ltd., a company principally engaged in providing healthcare and beauty services, responsible for product development and training, brand building and marketing. From October 1996 to June 1998, Ms. Chan was a management trainee of The Marco Polo Hong Kong Hotel, responsible for providing assistance to various departments including human resources, marketing, food and beverage, housekeeping, front office and accounts. Ms. Chan graduated from Hong Kong Polytechnic University in November 1996, Hong Kong, with a bachelor's degree in hotel and catering management. Ms. Chan is currently the chairman of the Hong Kong Children Dance Promotion Association.

Ms. Chan has not been a director of any other listed company for the last three preceding years.

Ms. Yu Sze Wan (余思韻) ("Ms. Yu"), aged 43, was appointed as assistant to general manager in July 2007, as administration and human resources manager in February 2008 and was promoted as head of administrations and deputy general manager in July 2013. Ms. Yu is responsible for coordinating the operation of various departments, human resources planning, and personnel recruitment. Ms. Yu has over 15 years of experience in management. Prior to joining us, Ms. Yu worked as administration assistant in Manulife (International) Limited, a company principally engaged in insurance, investment, asset management and financial planning, responsible for administrative matters, from April 1997 to November 1997. She was a consultant in World Sky International Limited, a company principally engaged in trading and marketing of health products, where she was responsible for providing assistance to improve the workflow, training memo, policies and practices, analyzing training needs, designing employee development programme and conducting product training, from November 1997 to February 2007. Ms. Yu obtained a certificate in secretarial studies from Sacred Heart Canossian Commercial School, Hong Kong, in June 1996. Ms. Yu is the administrative officer of the Hong Kong Children Dance Promotion Association. Ms. Yu obtained certificates in personnel administration and operations as well as in human resources management from the Hong Kong Management Association in 2011.

Ms. Yu has not been a director of any other listed company for the last three preceding years.

REPORT OF DIRECTORS

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 45 to the consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the loss from operations by principal activities and geographical area of operations for the year ended 31 December 2020 is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 49 and 50.

No final dividend for the year ended 31 December 2020 is proposed by the Board (2019: Nil).

The Board will continue to review the Group's financial positions and capital needs every year in deciding its dividend recommendations going forward.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 188 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 35 to the consolidated financial statements.

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted by a written resolution of the Shareholders 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 recognise and acknowledge the contribution of the Directors, other employees, other eligible participants who have made valuable contribution to the Group. Up to 31 December 2020 and the date of this report, there were 44,090,000 share options granted under the Scheme from the Date of the Adoption.

The following is a summary of the principal terms of the Share Option Scheme but it does not form part of the Share Option Scheme, nor was it intended to be part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives:

(i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and

(ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (e) below:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of 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 Share Option 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 Share Option 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.

A Company's circular dated 6 May 2019 was sent to Shareholders in relation to "Proposal for Refreshment of Share Option Scheme Mandate Limit and Notice of Extraordinary General Meeting" (the "**May Circular**"). Pursuant to the May Circular, the Company proposes to seek the approval of the Shareholders to approve the Refreshment (as defined in the May Circular) so that the total number of Shares (as defined in the May Circular) which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 35,410,000 Shares, representing 10% of the Shares in issue as at the date of approval of the Refreshment by the Shareholders on 2 May 2019, assuming that the number of Shares in issue remains unchanged prior to the date of the extraordinary general meeting to be held by the Company on 27 May 2019 (the "**2019 May EGM**"). The Refreshment is approved by the Shareholders at the 2019 May EGM.

Pursuant to the 2019 May EGM, the Company granted an aggregate of 24,787,000 share options at an exercise price of HK$1.10 per share and 10,623,000 share options at an exercise price of HK$1.00 per share, on 4 October 2019 and 11 October 2019 respectively, details of which are set out in the Company's announcements dated 4 October 2019 and 11 October 2019.

The Company issued another circular dated 18 December 2019 to the Shareholders in relation to "Proposal for Refreshment of Share Option Scheme Mandate Limit and Notice of Extraordinary General Meeting" (the "**December Circular**"). Pursuant to the December Circular, the Company proposes to seek the approval of the Shareholders to approve the Refreshment (as defined in the December Circular) so that the total number of Shares (as defined in the December Circular) which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 35,410,000 Shares, representing 10% of the Shares in issue as at the date of approval of the Refreshment by the Shareholders on 13 December 2019, assuming that the number of Shares in issue remains unchanged prior to the date of the extraordinary general meeting to be held by the Company on 10 January 2020 (the "**2020 January EGM**"). The Refreshment is approved by the Shareholders at the 2020 January EGM.

Pursuant to the 2020 January EGM, the Company granted 6,380,000 share options at an exercise price of HK$1.20 per share on 11 February 2020 and 2,300,000 share options at an exercise price of HK$1.44 per share on 25 February 2020 to certain eligible participants, subject to the acceptance of the grantees, under the Share Option Scheme adopted by the Company on 26 September 2014, details of which are set out in the Company's announcements dated 11 February 2020 and 25 February 2020.

(d) Maximum number of options to any one individual

The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the issued shares of the Company as at the date of grant.

(e) Price of Shares

The subscription price of a share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

(i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a share.

(f) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

As at 31 December 2020 the Company had 32,667,000 outstanding share options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 32,667,000 new Shares, details of movements of which are set out below:

	Number of share options								
Date of grant	Owners/Grantees	At 1 Jan 2020	Granted	Exercised	Lapsed	Cancelled	At 31 December 2020	Exercise period	Exercise Price HK$
4 October 2019	**Directors**								
	– Mr. Chiu Ka Lok	3,541,000	–	–	–	–	3,541,000	4 October 2019 to 3 October 2022	1.10
	– Mr. Chun Chi Ngon Richard	3,541,000	–	–	–	–	3,541,000	4 October 2019 to 3 October 2022	1.10
	– Ms. Yeung Siu Foon	3,541,000	–	–	–	–	3,541,000	4 October 2019 to 3 October 2022	1.10
	– Dr. Chun Chun	3,541,000	–	–	–	–	3,541,000	4 October 2019 to 3 October 2022	1.10
	Employees	10,623,000	–	–	–	–	10,623,000	4 October 2019 to 3 October 2022	1.10
11 October 2019	**Consultants**	10,623,000	–	–	(10,623,000) (Note 1)	–	–	11 October 2019 to 10 October 2020	1.00
11 February 2020	**Employees**	–	3,280,000	–	(800,000) (Note 2)	–	2,480,000	1 January 2023 to 10 February 2023	1.20
	Consultants	–	2,100,000	–	–	–	2,100,000	11 February 2021 to 10 February 2022	1.20
	Busines partner	–	1,000,000	–	–	–	1,000,000	11 February 2021 to 10 February 2022	1.20
25 February 2020	**Employees**	–	300,000	–	–	–	300,000	1 January 2023 to 24 February 2023	1.44
	Consultants	–	2,000,000	–	–	–	2,000,000	1 January 2023 to 24 February 2023	1.44
		35,410,000	8,680,000	–	(11,423,000)	–	32,667,000		

Note 1: As at the date of this report, all the 10,623,000 options lapsed as they were not exercised by the grantee during the exercise period.

Note 2: During the Reporting Period, the employees who were granted 800,000 options in total resigned from the position and left the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares, and neither the Company, nor any of its subsidiaries has purchased or sold any of the Company's listed securities during the year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 48 to the consolidated financial statements and pages 53 and 54 in the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company had no distributable reserve (2019: Nil) calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentage of sales or purchases attributable to the Group's five largest customers or suppliers was less than 30%.

None of the Directors, or any of their close associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers and 5 largest suppliers during the year ended 31 December 2020.

DIRECTORS

The Directors during the year and up to the date of report are as follows:

Executive Directors

Mr. Chiu Ka Lok *(Chairman)*
Mr. Chun Chi Ngon Richard *(Chief Executive Officer)*

Non-executive Directors

Dr. Chun Chun
Ms. Yeung Siu Foon

Independent non-executive Directors

Mr. Lau Sik Yuen (retired on 22 June 2020)
Dr. Yuen Man Chun Royce
Mr. Chak Chi Shing
Dr. Hung Siu Yung Patrick (appointed on 21 September 2020)

In accordance with the Company's articles of association, Mr. Chun Chi Ngon Richard, Dr. Chun Chun, Dr. Yuen Man Chun Royce and Dr. Hung Siu Ying Patrick will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company has received, from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors as independent.

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Group are set out on pages from 31 to 34 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive and non-executive Directors has entered into a service agreement with the Company for an initial term of three years commencing from the month of the Listing and will continue thereafter until terminated in accordance with the terms of the agreement. Independent non-executive Directors are appointed for a term of three years initially and will continue thereafter unless terminated by either party giving at least three months' notice in writing.

Save as disclosed above, none of the Directors has entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment compensation other than the statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No contract of significance, to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in the paragraphs headed "**Continuing Connected Transactions**" in this report and Related Party Transactions in Note 44 to the consolidated financial statements, no contract of significance, to which the company, its holding company or subsidiaries was a party and in which a controlling shareholder of the company had a material interest, whether directly or in directly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

The remuneration committee will review and determine the remuneration and compensation packages of the Directors with reference to their responsibilities, workload, time devoted to the Group and the performance of the Group. The Directors and other employees who have made valuable contribution to the Group may also receive options to be granted under the Share Option Scheme.

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 interests which any such person has or may have with the Group during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2020, 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:

Long positions in the Shares of the Company

Name of Directors and chief executive	Nature of interest/ Holding capacity	Number of ordinary shares held	Number of underlying Shares held	Percentage of issued share capital (Note 1)
Mr. Chiu Ka Lok	Interest of a controlled corporation, beneficial owner and family interest	225,250,000 (Note 2)	7,082,000	60.41%
Dr. Chun Chun	Beneficial owner and family interest	225,250,000 (Note 3)	7,082,000	60.41%
Mr. Chun Chi Ngon Richard	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.84%
Ms. Yeung Siu Foon	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.84%

Notes:

(1) As at 31 December 2020, the Company's issued ordinary share capital was HK$38,460,000 divided into 384,600,000 Shares of HK$0.1 each.

(2) Wealthy Together Limited ("**Wealthy Together**"), is wholly and beneficially owned by Mr. Chiu Ka Lok, an executive Director and the Chairman of the Company. Mr. Chiu Ka Lok is deemed to be interested in 198,750,000 Shares held by Wealthy Together by virtue of his 100% shareholding interest in Wealthy Together. Mr. Chiu Ka Lok beneficially owned 7,950,000 Shares and Dr. Chun Chun, being the spouse of Mr. Chiu Ka Lok, beneficially owned 18,550,000 Shares. By virtue of the SFO, Mr. Chiu Ka Lok is deemed to be interested in 225,250,000 Shares.

(3) Dr. Chun Chun, a non-executive Director, is the spouse of Mr. Chiu Ka Lok and is therefore deemed to be interested in all the shares held/owned by Mr. Chiu Ka Lok (by himself or through Wealthy Together) by virtue of the SFO.

(4) Mr. Chiu Ka Lok and Dr. Chun Chun are both beneficially deemed to be interested in 3,541,000 Shares each which may be issued to them upon the exercise of the share options granted to them on 4 October 2019 under the Share Option Scheme. Also, as Mr. Chiu Ka Lok and Dr. Chun Chun are the spouse of each other, they are both deemed to be interested in all the underlying Shares held/owned by each other by virtue of the SFO.

(5) Mr. Chun Chi Ngon Richard, an executive Director and the chief executive officer of the Company, and Ms. Yeung Siu Foon, a non-executive Director, are both beneficially deemed to be interested in 3,541,000 Shares each which may be issued to them upon the exercise of the share options granted to them on 4 October 2019 under the Share Option Scheme. Also, as Mr. Chun Chi Ngon Richard and Ms. Yeung Siu Foon are the spouse of each other, they are both deemed to be interested in all the underlying Shares held/owned by each other by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, 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

So far as is known to the Directors, as at 31 December 2020, 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 (Note 1)
Wealthy Together	Beneficial owner	198,750,000 (Note 2)	51.68%
Hui Pui Cheung	Beneficial owner	51,754,000	13.46%
Chen Jiaxin	Interest of a controlled corporation	28,000,000	7.28%
Tycoon Mind Limited	Beneficial owner	28,000,000	7.28%

Notes:

(1) As at 31 December 2020, the Company's issued ordinary share capital was HK$38,460,000 divided into 384,600,000 Shares of HK$0.1 each.

(2) Wealthy Together is beneficially and wholly owned by Mr. Chiu Ka Lok, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu Ka Lok is deemed to be interested in the shares held by Wealthy Together.

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 31 December 2020 which required to be recorded pursuant to Section 336 of SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2020 are set out in Note 44 to the consolidated financial statements. Save as the building management fees, rent and rates received from other related companies, which constitute continuing connected transactions and are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, none of these related party transactions constitute connected transactions as defined under the GEM Listing Rules.

Details of the connected transactions is summarized in the paragraph headed "**Continuing Connected Transactions**" below.

CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain sub-lease agreements (the "**Sub-lease Agreements**") with Dunn's Education Limited, Rainbow Creative Arts Limited, Sunshine Chinese Painting and Red Vocal Limited. Dunn's Education Limited is owned as to 33.33% by Mr. Chiu Ka Lok, Rainbow Creative Arts Limited is wholly-owned by Mr. Chiu Ka Lok, Sunshine Chinese Painting is a sole proprietorship of Ms. Yeung Siu Foon, the non-executive Director and the mother-in-law of Mr. Chiu Ka Lok, and Red Vocal Limited is 50% beneficially indirectly and controlled by Mr. Chiu Ka Lok, one of the executive Directors and a controlling Shareholder. Accordingly, each of Dunn's Education Limited, Rainbow Creative Arts Limited, Sunshine Chinese Painting and Red Vocal Limited is a connected person of the Company under the GEM Listing Rules. Hence any transactions entered into between the Group and Dunn's Education Limited, Rainbow Creative Arts Limited, Sunshine Chinese Painting and/or Red Vocal Limited will constitute connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Details of such connected transactions are as below.

For the years ended 31 December 2019 and 2020 the total rental and fees paid to our Group by Dunn's Education Limited under the Sub-lease Agreements amounted to approximately HK$1,480,000 and HK$1,188,000, respectively, of which approximately HK$631,000 and HK$631,000, respectively, were in relation to the sub-leasing of the Taikoo Centre.

For the years ended 31 December 2019 and 2020 the total rental and fees paid to our Group by Rainbow Creative Arts Limited under the Sub-lease Agreements amounted to approximately HK$473,000 and HK$922,000, respectively, of which approximately HK$288,000 and HK$207,000, respectively, were in relation to the sub-leasing of the Taikoo Centre.

For the years ended 31 December 2019 and 2020 the total rental and fees paid to our Group by Sunshine Chinese Painting under the Sub-lease Agreements amounted to approximately HK$226,000 and HK$213,000, respectively.

For the year ended 31 December 2019 and 2020 the total rental and fees paid to our Group by Red Vocal Limited under the Sublease Agreements amounted to approximately HK$405,000 and nil, respectively.

Since each of the percentage ratios (other than the profits ratio) for transactions contemplated under the Sub-lease Agreements, on aggregate basis, is less than 5% and the total annual consideration is less than HK$3,000,000, the transactions under the Sub-lease Agreements are therefore exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Directors, including the independent non-executive Directors, consider that the continuing connected transactions above are conducted on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole and are in the ordinary and usual course of the business. The Directors, including the independent non-executive Directors, are also of the view that the annual caps of all of the exempted continuing connected transactions above are fair and reasonable.

REPORT OF DIRECTORS

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls.

Currently the audit committee comprises three independent non-executive directors, who have reviewed the consolidated financial statements for the year ended 31 December 2020.

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 2020, 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.

CORPORATE GOVERNANCE

During the year ended 31 December 2020, the Company has complied with the code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules.

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "**Corporate Governance Report**" of this report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirm that the Company complies with the minimum of public float as required under the GEM Listing Rules.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in "EVENTS AFTER THE REPORTING PERIOD" in Note 47 to the consolidated financial statements, the Group had no material events after the reporting period.

REPORT OF DIRECTORS

CHANGE OF AUDITOR

KPMG resigned from the office of auditor of the Company with effect from 13 January 2021 whereas Grant Thornton Hong Kong Limited has been appointed as the auditor of the Company to fill the casual vacancy. KPMG has confirmed in their letter of resignation dated 13 January 2021 that from their perspective there are no matters in respect of their resignation that need to be brought to the attention of the Shareholders. Details are set out in the Company's announcement dated 13 January 2021.

The consolidated financial statements have been audited by Grant Thornton Hong Kong Limited who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

By order of the Board
Mr. Chiu Ka Lok
Chairman

Hong Kong, 13 May 2021

INDEPENDENT AUDITOR'S REPORT

Grant Thornton
致同

To the shareholders of SDM Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of SDM Group Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 49 to 187, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of multiple uncertainties relating to going concern described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

As described in note 2.1 to the consolidated financial statements, the Group incurred a net loss of approximately HK$321,333,000 and net cash outflow from operating activities of approximately HK$3,547,000 for the year ended 31 December 2020 and, as of that date, the Group had net current liabilities of approximately HK$306,796,000, capital deficiency of approximately HK$330,657,000 and accumulated losses of approximately HK$502,132,000. As at the same date, the Group's total borrowings comprising bank borrowings, corporate bonds and convertible notes amounted to approximately HK$342,025,000, of which current borrowings amounted to approximately HK$93,985,000, while its cash and cash equivalents amounted to approximately HK$38,458,000. These conditions, together with other matters described in note 2.1 to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position and to meet its liabilities as and when they fall due which are set out in note 2.1 to the consolidated financial statements.

The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) the successful obtaining of additional new sources of financing as and when needed; (ii) the controlling costs and containing capital expenditure so as to generate adequate net cash inflows; (iii) successfully managing the impact of the COVID-19 outbreak, as well as any Government's stimulus in response, on the Group's operations from time to time and adjusting its sales and marketing strategy for its sales to generate sufficient cash flows from its operations; and (iv) the successful negotiations with the lenders for the renewal of or extension for repayment of outstanding borrowings.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities. The effects of these adjustments have not been reflected in these consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA and to issue an auditor's report. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

13 May 2021

Lau Kwong Kei
Practising Certificate No.: P07578

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	**2020 HK$'000**	2019 HK$'000
Revenue	6	**156,294**	128,724
Other income	7	**53,222**	31,160
Other net gains and losses	7	**6,394**	1,120
Changes in inventories of finished goods		**70**	501
Finished goods purchased		**(4,286)**	(4,070)
Advertising and promotion expenses		**(14,457)**	(10,587)
Depreciation	10	**(70,985)**	(43,586)
Amortisation	10	**(5,442)**	(1,501)
Rental expenses		**(727)**	(1,309)
Staff and teaching consultants services costs	13	**(121,535)**	(84,555)
Other expenses		**(43,375)**	(45,976)
Impairment loss on goodwill	17	**(40,855)**	–
Net impairment loss recognised on financial assets and prepayments	10	**(1,292)**	(8,539)
Impairment loss on property, plant and equipment and right-of-use assets		**(72,436)**	(717)
Loss on change in fair value of consideration payable	30	**(108,516)**	(38,400)
Loss on change in fair value of convertible notes	32(c)	**(47,464)**	(9,636)
Gain on re-measurement of obligation arising from put options	33	**10,681**	–
Share options expenses	37	**(2,209)**	(8,647)
Finance costs	8	**(12,447)**	(10,003)
Share of results of joint ventures	19	**(1,285)**	105
Share of results of an associate	20	**162**	32
Loss before taxation		**(320,488)**	(105,884)
Income tax expense	9	**(845)**	(427)
Loss for the year	10	**(321,333)**	(106,311)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	**2020 HK$'000**	2019 HK$'000
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(6,089)**	(60)
Change in fair value on financial investments at fair value through other comprehensive income		**(119)**	119
Other comprehensive (loss)/income for the year		**(6,208)**	59
Total comprehensive loss for the year		**(327,541)**	(106,252)
Loss for the year attributable to:			
Owners of the Company		**(311,798)**	(98,807)
Non-controlling interests		**(9,535)**	(7,504)
		(321,333)	(106,311)
Total comprehensive loss attributable to:			
Owners of the Company		**(318,329)**	(98,752)
Non-controlling interests		**(9,212)**	(7,500)
		(327,541)	(106,252)
		HK cents	HK cents
Loss per share	12		
Basic and diluted		**(87.23)**	(27.90)

The notes on pages 57 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	16(a)	**20,878**	30,700
Right-of-use assets	16(b)	**96,567**	129,682
Goodwill	17	**99,062**	83,577
Intangible assets	18	**78,542**	13,271
Interests in joint ventures	19	**156**	156
Loans to joint ventures	19	**952**	2,307
Interest in an associate	20	**1,438**	1,252
Deposits for acquisitions of subsidiaries and businesses	21	**33,770**	68,037
Lease receivables	34(a)	**3,083**	17,500
Other receivables, deposits and prepayments	23	**27,611**	17,959
Deferred tax assets	36	**43**	357
		362,102	364,798
Current assets			
Inventories	22	**2,204**	2,134
Trade and other receivables, deposits and prepayments	23	**38,484**	28,629
Lease receivables	34(a)	**2,261**	3,941
Amounts due from related parties	25	**8,866**	7,705
Amounts due from non-controlling shareholders of subsidiaries	26	**2,184**	4,528
Financial investments	27	**–**	49,624
Pledged time deposits	28	**10,703**	9,835
Cash and cash equivalents	28	**38,458**	66,388
Tax recoverable		**190**	–
		103,350	172,784
Current liabilities			
Trade and other payables	29	**40,056**	34,562
Deferred income	24.1	**39,047**	51,939
Amounts due to related parties	25	**3,429**	1,220
Amounts due to non-controlling shareholders of subsidiaries	26	**224**	116
Corporate bonds	32(b)	**50,000**	71,000
Convertible notes	32(c)	**41,643**	–
Consideration payables	30	**153,942**	56,710
Bank and other borrowings	32(a)	**2,342**	5,454
Lease liabilities	34(b)	**75,897**	44,585
Tax payable		**1,170**	801
Provisions	31	**2,396**	1,960
		410,146	268,347
Net current liabilities		**(306,796)**	(95,563)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	2020 HK$'000	2019 HK$'000
Total assets less current liabilities		**55,306**	269,235
Non-current liabilities			
Provisions	31	**9,894**	7,283
Obligation arising from put options written to non-controlling shareholders of a subsidiary	33	**–**	9,459
Deferred tax liabilities	36	**6,707**	2,201
Consideration payable	30	**–**	28,890
Convertible notes	32(c)	**248,040**	204,466
Lease liabilities	34(b)	**121,322**	108,245
		385,963	360,544
Net liabilities		**(330,657)**	(91,309)
Equity			
Share capital	35	**38,460**	35,410
Reserves		**(366,583)**	(114,690)
Equity attributable to owners of the Company		**(328,123)**	(79,280)
Non-controlling interests	45	**(2,534)**	(12,029)
Capital deficiency		**(330,657)**	(91,309)

Approved and authorised for issue by the Board of Directors on 13 May 2021.

Chiu Ka Lok
Director

Chun Chi Ngon Richard
Director

The notes on pages 57 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium* HK$'000	Exchange reserve* HK$'000	Fair value reserve* HK$'000	Share options reserve* HK$'000	Other reserve* HK$'000 (Note)	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2019	35,410	66,892	608	–	–	3,546	(92,593)	13,863	(6,491)	7,372
Loss for the year	–	–	–	–	–	–	(98,807)	(98,807)	(7,504)	(106,311)
Other comprehensive (loss)/income	–	–	(64)	119	–	–	–	55	4	59
Total comprehensive (loss)/income for the year	–	–	(64)	119	–	–	(98,807)	(98,752)	(7,500)	(106,252)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	10	10
Acquisitions of subsidiaries (Note 38)	–	–	–	–	–	–	–	–	772	772
Acquisitions of additional interests in subsidiaries (Note 45)	–	–	–	–	–	(1,615)	–	(1,615)	(243)	(1,858)
Grant of share options (Note 37)	–	–	–	–	8,647	–	–	8,647	–	8,647
Deemed partial disposal of a subsidiary without loss of control (Note 45)	–	–	–	–	–	(1,423)	–	(1,423)	1,423	–
Balance as at 31 December 2019	35,410	66,892	544	119	8,647	508	(191,400)	(79,280)	(12,029)	(91,309)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium* HK$'000	Exchange reserve* HK$'000	Fair value reserve* HK$'000	Share options reserve* HK$'000	Other reserve* HK$'000 (Note)	Accumulated losses* HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance as at 1 January 2020	35,410	66,892	544	119	8,647	508	(191,400)	(79,280)	(12,029)	(91,309)
Loss for the year	–	–	–	–	–	–	(311,798)	(311,798)	(9,535)	(321,333)
Other comprehensive (loss)/income	–	–	(6,412)	(119)	–	–	–	(6,531)	323	(6,208)
Total comprehensive loss for the year	–	–	(6,412)	(119)	–	–	(311,798)	(318,329)	(9,212)	(327,541)
Capital contribution from non-controlling shareholder	–	–	–	–	–	504	–	504	272	776
Deemed acquisition of additional interests in subsidiary (Note 45)	–	–	–	–	–	(3,092)	–	(3,092)	3,092	–
Acquisition of a subsidiary (Note 38)	–	–	–	–	–	–	–	–	15,343	15,343
Grant of share options (Note 37)	–	–	–	–	2,209	–	–	2,209	–	2,209
Lapse of share options (Note 37)	–	–	–	–	(1,066)	–	1,066	–	–	–
Issue of consideration shares (Notes 30 & 35)	3,050	66,815	–	–	–	–	–	69,865	–	69,865
Balance as at 31 December 2020	38,460	133,707	(5,868)	–	9,790	(2,080)	(502,132)	(328,123)	(2,534)	(330,657)

Note: Other reserves represent the difference between (i) the nominal value of share capital of the subsidiaries and the consideration pursuant to the reorganisation underwent in preparation for the listing of the shares of the Company; (ii) the consideration to acquire additional interest in subsidiaries and the respective share of the carrying amounts of net assets acquired; (iii) the consideration to dispose of partial interest in subsidiaries without losing controls and the carrying amounts of the attributable net assets disposed of; and (iv) the capital contribution from non-controlling interest and increment in non-controlling interests.

* The reserves accounts comprise the Group's reserves of (HK$366,583,000) (2019: (HK$114,690,000)) in the consolidated statement of financial position.

The notes on pages 57 to 187 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Loss before taxation		**(320,488)**	(105,884)
Adjustments for:			
Depreciation	16	**70,985**	43,586
Amortisation	18	**5,442**	1,501
Loss/(Gain) on change in fair value of financial investments on financial investments	7	**34**	(473)
Reversal of income/(income) arising from an indemnity	7	**127**	(2,948)
Write-off of payables	7	**(747)**	(2,380)
Net exchange gains		**(6,253)**	(2,545)
Net impairment loss recognised on financial assets and prepayments	10	**1,292**	8,539
Interest income	7	**(2,008)**	(7,505)
Impairment loss on goodwill	17	**40,855**	–
Share of results of joint ventures	19	**1,285**	(105)
Share of results of an associate	20	**(162)**	(32)
Gain on a subleasing arrangement classified as finance lease as a lessor	7	**–**	(720)
Loss on disposal of property, plant and equipment	7	**69**	–
COVID-19 related rent concessions received	7	**(8,078)**	–
Impairment loss on property, plant and equipment and right-of-use assets		**72,436**	717
Loss on change in fair value of consideration payables	30	**108,516**	38,400
Loss on change in fair value of convertible notes	32(c)	**47,464**	9,636
Gain on re-measurement of obligation arising from put options	33	**(10,681)**	–
Share options expenses	13	**2,209**	8,647
Finance costs	8	**12,447**	10,003
Operating cash flows before working capital changes		**14,744**	(1,563)
Increase in inventories		**(70)**	(476)
Decrease/(Increase) in trade and other receivables, deposits and prepayments		**30,948**	(1,167)
Decrease in amounts due from related parties		**560**	3,319
Decrease in trade and other payables		**(15,519)**	(16)
Decrease in deferred income		**(33,069)**	(5,112)
Increase/(Decrease) in provisions		**117**	(300)
Cash used in operations		**(2,289)**	(5,315)
Income taxes paid		**(1,258)**	(106)
Net cash used in operating activities		**(3,547)**	(5,421)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Notes	**2020 HK$'000**	2019 HK$'000
Cash flows from investing activities			
Interest received		**2,008**	7,505
Proceeds from income arising from indemnity	27	**821**	2,000
Payment for acquisition of an associate	20	**–**	(1,210)
Purchase of property, plant and equipment		**(1,688)**	(18,436)
Deposits paid for acquisition of property, plant and equipment		**(1,077)**	–
Payment of consideration payables	30	**(3,631)**	–
Refund for deposit paid for acquisitions of subsidiaries and businesses	21	**739**	–
Deposits paid for acquisitions of subsidiaries and businesses		**(2,251)**	(49,727)
Net cash outflow arising from acquisitions of subsidiaries and businesses	38	**(24,885)**	(16,495)
Advances to related parties and joint ventures		**(2,205)**	(20)
Loan to holding company of an associate		**(4,986)**	(9,886)
Loan to third party		**(751)**	–
Proceeds received from subleasing arrangement as a lessor		**1,339**	1,266
Payment for purchase of financial investments		**–**	(258,686)
Proceeds received from disposal of financial investments		**47,699**	214,189
Net placement of time deposits with original maturity more than three months		**–**	(9,835)
Repayment from non-controlling shareholder of a subsidiary		**2,556**	–
Net cash generated from/(used in) investing activities		**13,688**	(139,335)
Cash flows from financing activities			
Advances from related parties	43	**2,965**	240
(Repayment to)/advances from joint ventures	43	**(756)**	744
Advances from/(repayment to) non-controlling shareholders of a subsidiary	43	**106**	(432)
Proceeds from issue of convertible notes	43	**31,009**	195,400
Advance receipt from a new convertible note to be issued		**–**	7,800
Proceed from bank borrowing	43	**7,797**	–
Repayment of bank and other borrowings	43	**(10,270)**	(1,471)
Repayment of corporate bonds	43	**(71,000)**	–
Proceeds from issue of corporate bonds, net of transaction costs	43	**49,900**	–
Capital contribution from non-controlling shareholders of a subsidiary		**776**	10
Acquisitions of additional interests in subsidiaries		**–**	(1,858)
Payment of lease liabilities	43	**(36,193)**	(39,746)
Finance cost paid	43	**(6,697)**	(4,260)
Net cash (used in)/generated from financing activities		**(32,363)**	156,427
Net (decrease)/increase in cash and cash equivalents		**(22,222)**	11,671
Cash and cash equivalents at the beginning of the year	28	**66,388**	54,339
Effect of foreign exchange rate changes		**(5,708)**	378
Cash and cash equivalents at the end of the year	28	**38,458**	66,388

The notes on pages 57 to 187 are an integral part of these consolidated financial statements.

1. GENERAL

SDM Group Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 12 February 2014 and registered as an exempted company with limited liability under the Cayman Companies Law. The addresses of the registered office and the principal place of business of the Company 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, Hong Kong, respectively. The Company's shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**SEHK**") since 14 October 2014.

The immediate holding company of the Company is Wealthy Together Limited ("**Wealthy Together**"), which is incorporated in the British Virgin Islands ("**BVI**"). Its ultimate controlling party is Mr. Chiu Ka Lok, the controlling shareholder (the "**Controlling Shareholder**") who is also the chairman and executive director of the Company.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong; (ii) operation of kindergartens and pre-schools in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; (iv) provision of photographic services in Hong Kong; and (v) provision of english learning courses for adult and national accredited vocational education and training courses on early childhood educations and care in Australia.

The consolidated financial statements are presented in Hong Kong dollar ("**HK$**"), unless otherwise stated. HK$ is also the functional currency of the Company.

The consolidated financial statements for the year ended 31 December 2020 have been approved for issue by the Board of Directors of the Company on 13 May 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

As at 31 December 2020, the Group had capital deficiency of approximately HK$330,657,000 and net current liabilities of approximately HK$306,796,000. The Group also incurred a net loss of approximately HK$321,333,000 and net cash outflow from operating activities of approximately HK$3,547,000 for the year ended 31 December 2020.

As disclosed in Note 32, the Group had bank borrowings of HK$2,342,000, corporate bonds of HK$50,000,000 and convertible notes of HK$289,683,000, with the related finance costs of HK$5,343,000 and loss on change in fair value of convertible notes of HK$47,464,000 incurred for the year then ended. The Group is dependent upon the future cash flows to be generated from operations and the ability of the Group to renew or obtain financing facilities to cover its operating costs and to meet its financing commitments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The directors have made an assessment of the Group's ability to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, by preparing a cash flow forecast and having regard to the following:

(i) The outbreak of COVID-19 and related measures implemented across different countries during 2020 has adversely affected the student intake and classes operations. This is especially the case for the Australia sector where overseas students contributed to a vast majority of its customers. In order to release future cash flow burden, the Group has ceased its business in Australia subsequent to 31 December 2020, relieving a projected net cash outflow of not less than Australian dollar ("**AU$**") 3,300,000 (equivalent to approximately HK$19,701,000);

(ii) as disclosed in Note 32(c), as at 31 December 2020, the Group had convertible note with carrying amount of HK$248,040,000 (the "**Singapore Convertible Note**") which will mature at 31 March 2023. Under the terms of the subscription agreement (the "**Singapore CN Subscription Agreement**"), the Singapore Convertible Note shall be automatically converted into new preference shares of the issuer, SDM Asia Limited, if Earnings before Interest, Taxes, Depreciation and Amortisation ("**EBITDA**") of Singapore operation achieves a minimum of S$8,100,000 for the financial year ended 31 December 2022 ("**Automatic Conversion**"). If EBITDA fails to reach the amount under Automatic Conversion, the investor has the option to either redeem the Singapore Convertible Note or convert to new preference shares of the issuer.

Although it is uncertain on the intention of the investor and the EBITDA level of the financial year ending 31 December 2022. Management perceives that it is possible Automatic Conversion can be achieved upon maturity due to (a) some of the preschools (including the flagship) has only been acquired or commenced operation during 2020 and full year effect has not been accounted for; (b) several preschools has obtained the Childcare Partner Operator Scheme status subsequent to 31 December 2020, which will greatly enhance the enrollment intake in future; and (c) continue acquisition of potential childcare centers;

(iii) as disclosed in Note 32(c), as at 31 December 2020, the Group had convertible note with carrying amount of HK$41,643,000 (the "**Australia Convertible Note**") which is immediately redeemable by the investor. Subsequent to 31 December 2020, the Australia Convertible Note have been fully redeemed and the Group was discharged and released from all obligations and responsibilities under such convertible note. On 5 January 2021, the Group entered into a new subscription agreement with the same investor to issue convertible note in principal amount of up to United States dollars ("**US$**") 6,350,000 (equivalent to approximately HK$49,530,000) (the "**New Australia Convertible Note**") with maturity date of 30 April 2024. Despite the Group has ceased Australia operation subsequent to 31 December 2020, the Group has obtained the confirmation from the investor that he did not intend to exercise the early redemption option before 30 June 2022 under the New Australia Convertible Notes;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iv) as disclosed in Note 30, as at 31 December 2020, the Group had consideration payable of HK$128,400,000 in relation to acquisition of Global Win Group which was expected to be settled within the next twelve months. Such consideration payable will not result in a cash outflow as this will be settled by future issuance of ordinary shares by the Group;

(v) subsequent to 31 December 2020, the Group was in the process of negotiations of banking facilities in Singapore. Term sheets with total banking facilities of S$3,100,000 (equivalent to approximately HK$18,144,000) has been offered by a bank in Singapore. The Group will further negotiate with the banks for credit facilities;

(vi) subsequent to 31 December 2020, the Company entered into two 1-year corporate bond agreements with two of its directors. Pursuant to the agreements, the Group is going to issue unlisted corporate bonds to them with principal amounts of HK$10,000,000 and HK$15,000,000 respectively. These corporate bonds will bear interests of 1% per annum. As at date of this report, the Group has received a total of HK$9,900,000 non-refundable deposits relating to these corporate bonds. These issuances are expected to be completed in first half of 2021; and

(vii) the Group is looking for lower costs of funding, as well as implementing operation plans to enhance profitability and control costs and to generate adequate cash flows from operations.

After assessing the Group's current and forecasted cash positions and taken into accounts the above measures, the Group expects to generate positive cash flows for the next twelve months from the end of the reporting period and will have sufficient bank balances and cash to cover its operating cash outflow and to meet its financing commitments for the next twelve months.

Management therefore has concluded that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt upon the Group's ability to continue as a going concern and has prepared the financial statements on a going concern basis.

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained profits). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, expect that:

– deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits, respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as a financial liability is remeasured at subsequent reporting dates at fair value with corresponding gain or loss being recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is power to participation in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint ventures (Continued)

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint ventures (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

2.5 Foreign currency translation

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong Dollars. Assets and liabilities have been translated into Hong Kong Dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong Dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation have been treated as assets and liabilities of the foreign operation and translated into Hong Kong Dollars at the closing rates.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e., no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or joint venture not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below and cost of right-of-use assets as described in note 2.14) are initially recognised at acquisition cost, manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Construction in progress represents a pre-school under construction are carried at cost, less any recognised impairment loss. Cost comprises direct cost of construction and the initial estimate, where relevant, of the cost of dismantling and removing the item and restoring the site on which it is located. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the lease term
Furniture, fittings and equipment	20 – 33.33%
Motor vehicles	33.33%

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

Estimates of residual value and useful life are reviewed, and adjusted if appropriate, at each reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate or a joint venture is set out in note 2.4.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("**CGUs**") and is tested annually for impairment (see note 2.19).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Customer relationships	3 – 10 years

Brandname, trademark and intellectual property with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with finite and indefinite useful lives, are tested for impairment as described below in note 2.19.

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets are classified into the following categories:

– amortised cost;
– FVTPL; or
– fair value through other comprehensive income ("**FVOCI**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

The classification is determined by both:

– the entity's business model for managing the financial asset; and
– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, and other income, except for impairment loss recognised on financial assets and prepayments which is presented as a separate item in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in other income in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and other receivables, lease receivables, deposits, amounts due from related parties and non-controlling shareholders and cash and cash equivalents fall into this category of financial instruments.

Financial assets at FVOCI – recycling

If the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale, subsequent changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment, the Group elects to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income and accumulated in "Fair value reserve" in equity. Such elections are made on an instrument-by-instrument basis, but only be made if the investment meets the definition of equity from the issuer's perspective.

The equity instruments at FVOCI are not subject to impairment assessment. The cumulative gain or loss in "Fair value reserve" will not be reclassified to profit or loss upon disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" in profit or loss.

Classification and measurement of financial liabilities

The Group's financial liabilities include bank and other borrowings, corporate bonds, convertible notes, consideration payables, leases liabilities, trade and other payables, amounts due to related parties and non-controlling shareholders of subsidiaries.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs.

Accounting policies of lease liabilities are set out in note 2.14.

Bank and other borrowings and corporate bonds

They are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Convertible notes

Convertible notes that contain an equity component

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible notes issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as capital reserve.

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the notes are converted, the equity component of convertible notes and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the notes is redeemed, the capital reserve is released directly to retained profits.

Convertible notes which do not contain an equity component

At initial recognition the derivative component of the convertible notes is measured at fair value and presented as part of derivative financial instruments. Any excess of proceeds over the amount initially recognised as the derivative component is recognised as the host liability component. Transaction costs that relate to the issue of the convertible note are allocated to the host liability and derivative components in proportion to the allocation of proceeds. The portion of the transaction costs relating to the host liability component is recognised initially as part of the liability. The portion relating to the derivative component is recognised immediately in profit or loss.

The host liability component is subsequently carried at amortised cost. Interest expense recognised in profit or loss on the host liability component is calculated using the effective interest method.

If the notes are converted, the shares issued are measured at fair value and any difference between the fair value of shares issued and the carrying amounts of the derivative and liability components are recognised in profit or loss. If the notes are redeemed, any difference between the amount paid and the carrying amounts of both components is recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments (Continued)

Trade and other payables, amounts due to related parties, and amounts due to non-controlling shareholders of subsidiaries

They are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise expected credit loss ("ECL") – the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and FVOCI and trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" ("**12m ECL**") are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For dancing academy business early childhood education business and provision of photographic services, most of the trade receivables of the Group are from financial institutions in relation to payments settled by credit cards by customers and schools, which both are considered credit worthy. As such, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. In calculating the ECL, the Group applies a simplified approach in calculating ECL at an amount equal to lifetime ECL.

For adult education and training business, and provision of swallowing and speech treatment business, the Group measured ECL of trade receivables from students equal to lifetime ECL. For details, please refer to note 42.5.

Other financial assets measured at amortised cost and debt investments at FVOCI

The Group measures the loss allowance for other receivables equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood of risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

- an actual or expected significant deterioration in the operating results of the debtor.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost and debt investments at FVOCI (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Detailed analysis of the ECL assessment of trade receivables, other financial assets measured at amortised cost and debt investments at FVOCI are set out in note 42.5.

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and costs necessary to makes the sales and applicable selling expenses. Cost is determined using the weighted average basis.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.9). Contract liabilities are presented as deferred income in the Group's consolidated statement of financial position.

2.14 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as "a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration". To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct "how and for what purpose" the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification. The only exception is any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 "Leases". In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

The Group presents right-of-use assets that do not meet the definition of investment property or inventory as a separate line item on the consolidated statement of financial position.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

The Group sub-leases some of its properties and the sub-lease contracts are classified as finance lease.

Rental income is recognised on a straight-line basis over the term of the lease.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Provisions and contingent liabilities (Continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition (Continued)

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

Further details of the Group's revenue and other income recognition policies are as follows:

Revenue from dance academy classes

Fee received are initially recorded as "deferred income" and revenue is recognised over the period of the instruction because the participant simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

Tuition fees

Tuition fees from kindergarten, pre-schools and colleges (provision of adult language courses) are generally paid in advance and revenue is recognised over the period of tuition service because the students simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

Revenue from sales of uniforms, shoes and accessories

Revenue is recognised when the goods are delivered to the customers and control of the goods is transferred. Fair value of uniforms, shoes and accessories are estimated by adding a reasonable gross profit margin to the cost of relevant products.

Revenue from the provision of swallowing and speech treatments

Revenue is recognised over the period of treatment service because the patients simultaneously receive and consume the benefits provided by the Group's performance as the Group performs.

Revenue from the provision of photographic services

Revenue is recognised when the related products are delivered to the customers and control of the goods has transferred.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of ECL allowance) of the asset.

Management fee

Management fee income is recognised when the services are rendered.

Dividend income

Dividend income is recognised when the rights to receive payment is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Revenue recognition (Continued)

Rental income

Accounting policy for rental income are set out in note 2.14(b).

2.18 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate. Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.19 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Other intangible assets;
- Property, plant and equipment (including right-of-use assets);
- The Company's interests in subsidiaries, associates and joint ventures; and
- Contract costs.

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual CGUs, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those CGUs that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for CGUs, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2.20 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries with a cap of HK$1,500 per month. The assets of the plan are held separately from those of the Group, in funds under the control of trustees.

There is no forfeited contribution to MPF Scheme used by the Group to reduce the existing level of contributions for both years.

The People's Republic of China (the "**PRC**") employees of the Group are members of state-managed retirement benefit schemes operated by the local government. The Group is required to contribute a certain percentage of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits (Continued)

The Group makes legally required contributions to the Central Provident Fund ("**CPF**") in Singapore for its employees employed in Singapore who are Singapore citizens or permanent residents as prescribed by the Central Provident Fund Act of Singapore. The Group's obligation, in regard to the defined contribution plan, is limited to the amount it contributes to the CPF. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The Group makes legally required contributions to the Superannuation Funds in Australia for its employees employed in Australia. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the equity instruments awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

All share-based compensation is recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the equity instruments granted vest immediately unless the compensation qualifies for recognition as asset, with a corresponding increase in the "share option reserve" in equity. If vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of equity instruments expected to vest. Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates.

At the time when the share options are exercised, the amount previously recognised in "Share option reserve" will be transferred to "share capital". After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in "Share option reserve" will be transferred to "Accumulated losses".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Borrowing costs

Borrowing costs incurred, net of any investment income earned on the temporary investment of the specific borrowings, for the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is an asset which necessarily takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Borrowing costs are capitalised as part of the cost of a qualifying asset when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are being undertaken. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors, which are identified as chief operating decision maker ("**CODM**") for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major service lines.

The Group has identified the following reportable segments:

- Dance academy business – jazz and ballet and pop dance academy in Hong Kong and the PRC
- Early childhood education business – operation of kindergartens and pre-schools in Hong Kong and Singapore
- Adult education and training business – provision of adult language courses in Australia

Other operating segments include operation of the provision of swallowing and speech treatments and provision of photographic services in Hong Kong. None of these segments met the quantitative thresholds for the reportable segments. Accordingly, these were grouped in "Others".

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group used for reporting segment results under HKFRS 8 are the same as those used in its financial statements prepared under HKFRSs, except that the following items are not included in arriving at the operating results of the operating segment:

- expenses related to share-based payments;
- share of profit or loss of associates and joint venture accounted for using the equity method;
- change in fair value of consideration payables;
- net impairment loss recognised on financial assets and prepayments;
- income tax; and
- corporate income and expenses which are not directly attributable to the business activities of any operating segment.

No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) the entity and the Group are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

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

In addition, on 1 January 2020, the Group has early applied the Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" which will be effective for the Group for financial year beginning on or after 1 June 2020.

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Amendments to HKFRS 3 "Definition of a Business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and

- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

The application of these amendments has had no impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020 (Continued)

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no impact on the Group's consolidated financial statements.

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions"

Amendments to HKFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("**COVID-19-Related Rent Concessions**") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) there is no substantive change to other terms and conditions of the lease.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020 (Continued)

Amendments to HKFRS 16 "Covid-19-Related Rent Concessions" (Continued)

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-Related Rent Concessions granted to the Group during the year.

Consequently, rent concessions received have been recognised in "other income" in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts and Related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[5]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018-2020[2]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[5]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 Effective for annual periods beginning on or after 1 January 2023

4 Effective date not yet determined

5 Effective for business combination/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

Amended HKFRSs that are effective for annual periods beginning on or after 1 January 2020 (Continued)

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments update the reference in HKFRS 3 to the latest version of "Conceptual Framework for Financial Reporting" issued in March 2018, and add an exception to the requirement for an entity to refer to "Conceptual Framework for Financial Reporting" to determine what constitutes an asset or liability.

Besides, the exception also specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC) – Int 21 "Levies" if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should apply the criteria in HKAS 37 or HK(IFRIC) – Int 21 respectively (instead of the "Conceptual Framework for Financial Reporting") to determine whether a present obligation exists at the acquisition date.

Furthermore, the amendments also explicitly state that contingent assets do not qualify for recognition at the acquisition date.

Amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022 and apply prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in HKFRS Standards. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current"

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at that date or at a later date;

- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

- "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under HKAS 32, the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with HKAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities is current or non-current.

Amendments to HKAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of goodwill, property, plant and equipment, right-of-use assets, contract costs and intangible assets

The Group tests annually whether goodwill, property, plant and equipment, right-of-use assets, contract costs and intangible assets has suffered any impairment in accordance with the accounting policy stated in note 2.19. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill, property, plant and equipment, right-of-use assets, contract costs and intangible assets within the next financial year. Determining the appropriate discount rate and growth rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amount of CGUs are disclosed in note 17.

The Group has incurred an impairment losses of HK$113,291,000 (2019: HK$717,000) on goodwill, property, plant and equipment and right-of-use assets for the year ended 31 December 2020 to reduce the carrying amount of CGUs to its recoverable amount (notes 16 & 17). As at 31 December 2020, the carrying amount of goodwill, property, plant and equipment, right-of-use assets, contract costs and intangible assets were HK$99,062,000, HK$20,878,000, HK$96,567,000, HK$1,478,000 and HK$78,542,000 (2019: HK$83,577,000, HK$30,700,000, HK$129,682,000, HK$4,395,000 and HK$13,271,000), respectively, which is net of impairment loss of HK$46,752,000, HK$4,685,000, HK$67,751,000, HK$nil and HK$nil (2019: HK$5,897,000, HK$400,000, HK$317,000, HK$nil and HK$nil) for goodwill, property, plant and equipment, right-of-use assets, contract costs and intangible assets.

Estimation of fair value of convertible notes

As at 31 December 2020, convertible notes were carried at fair value of HK$289,683,000 (2019: HK$204,466,000). The fair values are determined by using valuation techniques, details of which are set out in note 42.7. This involves developing estimates and assumptions.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.2 Critical accounting judgements

Determination of the lease term in lease contracts and discount rate

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by the Group; and
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets.

During the years ended 31 December 2020 and 2019, some of the extension options in leases of dance centres, kindergartens and colleges have not been included in the calculation of lease liability because the Group could replace the assets without significant cost or business disruption.

In determining the discount rate, the Group is required to exercise considerable judgement in relation to determining the discount rate taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

5. SEGMENT INFORMATION

The executive directors of the Company have been identified as CODM who are responsible for reviewing the Group's internal reporting in order to assess performance and allocate resources. The management has determined the operating segments based on these reports. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results.

The CODM identified the segments based on the nature of business operations. Specifically, the CODM assessed the performance of dance academy business, early childhood education business, and adult education and training business and regarded these being the reportable segments. The operation of the provision of swallowing and speech treatments and provision of photographic services in Hong Kong were insignificant to present as a separate segment and grouped under "others".

2020	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education and training business HK$'000	Others HK$'000	Total HK$'000
Revenue	45,428	58,144	42,092	10,630	156,294
Segment results	(5,719)	(13,913)	(125,089)	4,045	(140,676)
Other income and net gains and losses					20,195
Central corporate expenses					(39,403)
Share options expenses					(2,209)
Loss on change in fair value of convertible notes					(47,464)
Loss on change in fair value of consideration payables					(108,516)
Share of results of joint ventures					(1,285)
Share of results of an associate					162
Net impairment loss recognised on financial assets and prepayments					(1,292)
Loss before taxation					(320,488)

5. SEGMENT INFORMATION (CONTINUED)

2019	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education business HK$'000	Others HK$'000	Total HK$'000
Revenue	66,861	30,900	15,186	15,777	128,724
Segment results	1,229	(11,470)	(4,004)	5,902	(8,343)
Other income and net gains and losses					16,440
Central corporate expenses					(48,896)
Share options expenses					(8,647)
Loss on change in fair vale of convertible notes					(9,636)
Loss on change in fair value of consideration payable					(38,400)
Share of results of joint ventures					105
Share of results of an associate					32
Net impairment loss recognised on financial assets and prepayments					(8,539)
Loss before taxation					(105,884)

All of the segment revenue reported above is from external customers.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 2.23. Segment profit/(loss) represents the profit earned/(losses incurred) by each segment without allocation of certain other gains and losses and other income, central corporate expenses, share options expenses, loss on change in fair value of consideration payables and convertible notes, net impairment loss recognised on financial assets and prepayments and share of results of joint ventures and an associate.

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

5. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2020

	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education and training business HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts credited/(charged) included in the measure of segment results						
Interest income	6	497	143	–	1,362	2,008
Amortisation of intangible assets	(2,340)	(2,595)	–	(507)	–	(5,442)
Depreciation of property, plant and equipment	(4,044)	(3,409)	(2,197)	(103)	(277)	(10,030)
Depreciation of right-of-use assets	(22,868)	(19,802)	(16,386)	–	(1,899)	(60,955)
Impairment loss on property, plant and equipment and right-of-use assets	–	(18,356)	(54,080)	–	–	(72,436)
Interest on lease liabilities	(1,430)	(2,412)	(2,002)	–	(38)	(5,882)
Impairment loss on goodwill	–	(2,446)	(38,409)	–	–	(40,855)
Addition to non-current assets	32,861	154,701	31,643	86	2,713	222,004
Share of results of associate	–	–	–	–	162	162
Share of results of joint venture	–	–	–	–	(1,285)	(1,285)

For the year ended 31 December 2019

	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education business HK$'000	Others HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts credited/(charged) included in the measure of segment results						
Interest income	11	63	170	1	7,260	7,505
Amortisation of intangible assets	(89)	(905)	–	(507)	–	(1,501)
Depreciation of property, plant and equipment	(2,938)	(3,154)	(551)	(155)	(224)	(7,022)
Depreciation of right-of-use assets	(17,960)	(13,374)	(3,174)	–	(2,056)	(36,564)
Impairment loss on property, plant and equipment and right-of-use assets	–	(717)	–	–	–	(717)
Interest on lease liabilities	(1,553)	(1,393)	(574)	–	(134)	(3,654)
Addition to non-current assets	26,478	112,244	100,446	181	14,996	254,345
Share of results of associate	–	–	–	–	32	32
Share of results of joint venture	–	–	–	–	105	105

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group's revenues from external customers and its non-current assets (other than financial instruments and deferred tax assets) are divided into the following geographical areas:

	Revenue from external customers for the year ended 31 December		Non-current assets (other than financial instruments and deferred tax assets) as at 31 December	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Australia	**42,092**	15,186	**–**	40,517
Hong Kong	**58,757**	86,964	**75,659**	46,918
Singapore	**55,445**	26,574	**255,831**	75,686
	156,294	128,724	**331,490**	163,121

The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the non-current assets is based on the physical location of the asset and the location of the operation to intangible assets and goodwill.

Information about major customers

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

6. REVENUE

The Group's principal activities are disclosed in note 1 to the consolidated financial statements.

The Group's revenue recognised during the year is as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue from contract with customers		
Dance academy business	**45,428**	66,861
Early childhood education business	**58,144**	30,900
Adult education and training business	**42,092**	15,186
Others	**10,630**	15,777
Total	**156,294**	128,724

6. REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major types of goods or service and geographical market:

	For the year ended 31 December 2020				
Segments	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education and training business HK$'000	Others HK$'000	Total HK$'000
Types of goods or service					
Dance academy business					
– Elementary courses	23,782	–	–	–	23,782
– CSTD jazz courses	14,183	–	–	–	14,183
– RAD ballet courses	1,708	–	–	–	1,708
– Other courses	4,864	–	–	–	4,864
– Sale of dance uniforms, shoes and accessories	891	–	–	–	891
	45,428	–	–	–	45,428
Early childhood education business					
– Elementary and enrichment courses	–	58,009	–	–	58,009
– Sale of uniforms and accessories	–	135	–	–	135
	–	58,144	–	–	58,144
Adult eduction and training business					
– Adult language courses	–	–	31,320	–	31,320
– Training courses	–	–	10,772	–	10,772
	–	–	42,092	–	42,092
Others					
– Provision of swallowing and speech treatments	–	–	–	5,781	5,781
– Provision of photographic services	–	–	–	4,803	4,803
– Others	–	–	–	46	46
	–	–	–	10,630	10,630
Total	45,428	58,144	42,092	10,630	156,294
Geographical markets					
– Australia	–	–	42,092	–	42,092
– Hong Kong	45,428	2,699	–	10,630	58,757
– Singapore	–	55,445	–	–	55,445
Total	45,428	58,144	42,092	10,630	156,294
Timing of revenue recognition					
– At point in time	891	135	–	4,803	5,829
– Over time	44,537	58,009	42,092	5,827	150,465
Total	45,428	58,144	42,092	10,630	156,294

6. REVENUE (CONTINUED)

	For the year ended 31 December 2019				
Segments	Dance academy business HK$'000	Early childhood education business HK$'000	Adult education business HK$'000	Others HK$'000	Total HK$'000
Types of goods or service					
Dance academy business					
– Elementary courses	27,722	–	–	–	27,722
– CSTD jazz courses	24,281	–	–	–	24,281
– RAD ballet courses	2,966	–	–	–	2,966
– Other courses	8,622	–	–	–	8,622
– Sale of dance uniforms, shoes and accessories	3,270	–	–	–	3,270
	66,861	–	–	–	66,861
Early childhood education business					
– Elementary and enrichment courses	–	30,759	–	–	30,759
– Sale of uniforms and accessories	–	141	–	–	141
	–	30,900	–	–	30,900
Adult education business					
– Adult language courses	–	–	15,186	–	15,186
Others					
– Provision of swallowing and speech treatments	–	–	–	7,244	7,244
– Provision of photographic services	–	–	–	8,509	8,509
– Others	–	–	–	24	24
	–	–	–	15,777	15,777
Total	66,861	30,900	15,186	15,777	128,724
Geographical markets					
– Australia	–	–	15,186	–	15,186
– Hong Kong	66,861	4,326	–	15,777	86,964
– Singapore	–	26,574	–	–	26,574
Total	66,861	30,900	15,186	15,777	128,724
Timing of revenue recognition					
– At point in time	3,270	141	–	8,509	11,920
– Over time	63,591	30,759	15,186	7,268	116,804
Total	66,861	30,900	15,186	15,777	128,724

7. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Other income		
Management fee income	**5,325**	10,228
Examination and competition handling fee income	**72**	1,844
Performance and show income	**225**	1,390
Services fee income	**1,032**	–
Franchise fee income	**5,699**	–
Sub-lease income that are fixed	**3,419**	2,696
(Reversal of income)/Income arising from an indemnity	**(127)**	2,948
Interest income	**2,008**	7,505
COVID-19-related rent concessions received (Note (a))	**8,078**	–
Government grants (Note (b))	**22,017**	–
Write-off of payables	**747**	2,380
Others	**4,727**	2,169
	53,222	31,160
Other net gains and losses		
Net exchange gains/(losses)	**6,497**	(73)
(Loss)/Gain on change in fair value of financial investments	**(34)**	473
Gain on a subleasing arrangement classified as finance lease as a lessor	**–**	720
Loss on disposal of property, plant and equipment	**(69)**	–
	6,394	1,120

Notes:

(a) As disclosed in note 3, the Group has early adopted Amendments to HKFRS 16 "Covid-19 – Related Rent Concessions" and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2020, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

(b) During the year ended 31 December 2020, the Group received funding support amounting to HK$11,251,000 from the employment support scheme under the anti-epidemic fund, set up by the Hong Kong government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

In addition, the Inland Revenue Authority of Singapore introduced Jobs Support Scheme in February 2020 for providing wage support for employers to retain their local employees. During the year ended 31 December 2020, the Group received the funding support amounting to S$1,778,000 (equivalent to approximately HK$10,002,000).

Remaining government grants were granted on a discretionary basis during the year ended 31 December 2020 and the conditions attached thereto were fully complied with.

8. FINANCE COSTS

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Interest expenses on:		
– bank and other borrowings	**229**	710
– corporate bonds	**5,114**	5,325
– lease liabilities	**5,882**	3,654
Finance charges		
– Imputed interest expense on put options written to non-controlling shareholders of a subsidiary	**1,222**	314
	12,447	10,003

9. INCOME TAX EXPENSE

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Hong Kong Profits Tax		
– Current year	**437**	421
– Over provision in prior years	**–**	(32)
	437	389
Singapore corporate income tax ("**CIT**")		
– Current year	**1,535**	302
– Over provision in prior years	**(532)**	–
	1,003	302
	1,440	691
Deferred tax (Note 36)	**(595)**	(264)
	845	427

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

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 profit for both years.

Singapore CIT is calculated at 17% (2019: 17%) of the estimated assessable profit eligible for CIT rebate of 20%, capped at S$10,000 for the years of assessment 2020 and 2019. Singapore incorporated companies can also enjoy 75% tax exemption on the first S$10,000 of normal chargeable income and a further 50% tax exemption on the next S$290,000 of normal chargeable income. The Singapore companies which meet the qualifying condition as start-up companies can enjoy 100% tax exemption on the first S$100,000 of normal chargeable income and a further 50% tax exemption on the next S$200,000 of normal chargeable income at the relevant years of assessment.

No provision for corporate tax has been made for the Group's operation in Australia as such operations incurred loss for taxation purpose for both years.

9. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss before taxation	**(320,488)**	(105,884)
Tax at Hong Kong profits tax rate of 16.5%	**(52,881)**	(17,471)
Tax effect of expenses not deductible for tax purpose	**46,231**	13,980
Tax effect of income not taxable for tax purpose	**(6,504)**	(3,348)
Over provision in prior years	**(532)**	(32)
Effect of share of results of joint ventures and an associate	**185**	(23)
Tax effect of tax losses not recognised	**14,364**	7,564
Tax effect of deductible temporary differences not recognised	**374**	1,370
Tax effect of tax losses not recognised in prior years but utilised during the year	**(12)**	(1,112)
Effect of tax exemption and tax relief	**(444)**	(469)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**64**	(32)
Income tax expense for the year	**845**	427

10. LOSS FOR THE YEAR

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Auditor's remuneration*	**4,280**	2,860
COVID-19 – related rent concessions received (Note 7)	**(8,078)**	–
Agent commission fee#	**11,510**	4,017
Lease charges:		
Short term leases exempt from capitalisation under HKFRS 16	**662**	1,259
Variable lease payment that based on receipts of turnover	**65**	50
Total lease charges	**727**	1,309
Depreciation:		
Right-of-use assets (Note 16(b))	**60,955**	36,564
Owned assets (Note 16(a))	**10,030**	7,022
Total depreciation	**70,985**	43,586
Amortisation of intangible assets (Note 18)	**5,442**	1,501
(Reversal of impairment loss)/impairment loss recognised on:		
– amounts due from related parties	**579**	(586)
– amounts due from non-controlling shareholders of subsidiaries	**(212)**	1,625
– prepayments (Note)	**–**	7,200
– other financial assets	**925**	300
Net impairment loss recognised on financial assets and prepayments	**1,292**	8,539

* included in "other expenses"

\# included in "advertising and promotion expenses"

10. LOSS FOR THE YEAR (CONTINUED)

Note: On 11 April 2018, the Group disposed of 100% entity interest in Metro Noble Limited for a cash consideration of HK$7,200,000 to a company controlled by a senior management of the Group. The completion of the disposal took place on 11 April 2018.

Pursuant to the relevant sale and purchase agreement of the disposal, the Group utilised the proceed of the disposal of HK$7,200,000 to make as the prepayment to the buyer for the use of premise and included in trade and other receivables, deposits and prepayments at 31 December 2018.

As at 31 December 2019, impairment loss of HK$7,200,000 was recognised as the Group assessed that the Group would not be able to use such premise in the future and the prepayment was unlikely to be recoverable.

11. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2020 (2019: Nil) nor propose any dividend since the end of the reporting period.

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Loss		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	**(311,798)**	(98,807)

	Year ended 31 December 2020 '000	Year ended 31 December 2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**357,425**	354,100

Diluted loss per share is the same as basic loss per share for the both years, as all of the potential ordinary shares in issue are anti-dilutive during the years ended 2020 and 2019, and as at 31 December 2020 and 2019.

13. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Directors' fees	**2,278**	1,310
Wages and salaries	**110,073**	78,358
Retirement benefits scheme contributions	**9,184**	4,887
Total staff costs (note a) (including directors' remuneration)	**121,535**	84,555
Share options expenses (note b)	**2,209**	8,647
Employee benefit expense (including directors' remuneration)	**123,744**	93,202

Notes:

a. Included in staff costs are teaching consultants services costs of HK$3,041,000 (2019: HK$7,803,000) for the delivery of courses by instructors. These instructors do not enter into employment contract with the Group.

b. Included in share options expenses are share options granted to consultants of the Group of HK$1,607,000 (2019: HK$935,000). These consultants do not enter into employment contract with the Group.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

		Other emoluments			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Share based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2020					
Executive directors					
Mr. Chiu Ka Lok	571	–	–	18	589
Mr. Chun Chi Ngon Richard (Note a)	228	–	–	–	228
Non-executive directors					
Ms. Yeung Siu Foon	180	–	–	–	180
Dr. Chun Chun	1,038	–	–	18	1,056
Independent non-executive directors					
Mr. Lau Sik Yuen (Note d)	68	–	–	–	68
Dr. Yuen Man Chun Royce	113	–	–	–	113
Dr. Hung Siu Ying Patrick (Note b)	17	–	–	–	17
Mr. Chak Chi Shing	63	–	–	–	63
	2,278	–	–	36	2,314

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

		Other emoluments			
	Directors' fees HK$'000	Salaries and other benefits HK$'000	Share based payments HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
2019					
Executive directors					
Mr. Chiu Ka Lok	243	810	1,119	18	2,190
Mr. Chun Chi Ngon Richard (Note a)	240	–	1,119	–	1,359
Non-executive directors					
Ms. Yeung Siu Foon	180	–	1,119	–	1,299
Dr. Chun Chun	210	636	1,119	18	1,983
Independent non-executive directors					
Mr. Lau Sik Yuen (Note d)	180	–	–	–	180
Dr. Yuen Man Chun Royce	180	–	–	–	180
Mr. Lee Kwok Ho David (Note c)	14	–	–	–	14
Mr. Chak Chi Shing	63	–	–	–	63
	1,310	1,446	4,476	36	7,268

Notes:

(a) Mr. Chun Chi Ngon Richard is also the Chief Executive Officer of the Group.

(b) Appointed on 21 September 2020.

(c) Resigned on 15 May 2019.

(d) Retired on 22 June 2020.

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2019: nil).

The value of share options granted to directors is measured according to the Group's accounting policy for share-based compensation set out in note 2.20. The details of these benefits in kind including the principal terms and number of options granted are disclosed under the heading "Share options" in the Directors' Report and note 37.

15. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included one (2019: three) director whose emoluments are reflected in the analysis presented above. The aggregate emoluments payable to the remaining four (2019: two) individuals during the year are as follows:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Salaries and other benefits	**3,129**	2,291
Discretionary bonus	**–**	2,500
Share-based payments	**–**	2,157
Retirement benefit scheme contributions	**212**	35
	3,341	6,983

The emoluments fell the following bands:

	Number of employees	
	Year ended 31 December 2020	Year ended 31 December 2019
Emolument bands:		
Nil – HK$1,000,000	**4**	–
HK$1,000,001 – HK$1,500,000	**–**	–
HK$1,500,001 – HK$2,000,000	**–**	1
HK$5,000,000 – HK$5,500,000	**–**	1

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

(a) Property, plant and equipment

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost					
At 1 January 2019	14,137	4,762	107	–	19,006
Additions through acquisitions of subsidiaries and a business (Note 38)	1,611	1,989	–	–	3,600
Additions	12,715	956	–	14,596	28,267
Exchange realignment	101	76	–	122	299
At 31 December 2019 and 1 January 2020	28,564	7,783	107	14,718	51,172
Additions through acquisitions of subsidiaries and businesses (Note 38)	2,956	544	–	–	3,500
Additions	–	1,606	–	82	1,688
Transfer	14,377	–	–	(14,377)	–
Written off/Disposal	(4,859)	(698)	-	–	(5,557)
Exchange realignment	952	260	–	(423)	789
At 31 December 2020	**41,990**	**9,495**	**107**	**–**	**51,592**
Accumulated depreciation and impairment loss					
At 1 January 2019	9,177	3,822	39	–	13,038
Depreciation	5,895	1,091	36	–	7,022
Impairment loss	400	–	–	–	400
Exchange realignment	8	4	–	–	12
At 31 December 2019 and 1 January 2020	15,480	4,917	75	–	20,472
Depreciation	7,847	2,151	32	–	10,030
Written off/Disposal	(4,794)	(694)	–	–	(5,488)
Impairment loss	3,951	734	–	–	4,685
Exchange realignment	648	367	–	–	1,015
At 31 December 2020	**23,132**	**7,475**	**107**	**–**	**30,714**
Carrying amount					
At 31 December 2020	**18,858**	**2,020**	**–**	**–**	**20,878**
At 31 December 2019	13,084	2,866	32	14,718	30,700

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

(b) Right-of-use assets

	Properties leased for own use HK$'000	Furniture & Fixtures, equipment HK$'000	Total HK$'000
Cost			
At 1 January 2019	61,702	452	62,154
Additions through acquisitions of subsidiaries (Note 38)	90,742	–	90,742
Additions	27,465	–	27,465
Disposal	(16,748)	–	(16,748)
Exchange realignment	3,046	–	3,046
At 31 December 2019 and 1 January 2020	166,207	452	166,659
Addition through acquisitions of subsidiaries and businesses (Note 38)	39,598	–	39,598
Additions (Note)	55,007	–	55,007
Written off	(10,097)	–	(10,097)
Exchange realignment	9,477	–	9,477
At 31 December 2020	**260,192**	**452**	**260,644**
Accumulated Depreciation			
At 1 January 2019	–	–	–
Depreciation	36,458	106	36,564
Impairment loss	317	–	317
Exchange realignment	96	–	96
At 31 December 2019 and 1 January 2020	36,871	106	36,977
Depreciation	60,848	107	60,955
Written off	(10,097)	–	(10,097)
Impairment loss	67,751	–	67,751
Exchange realignment	8,491	–	8,491
At 31 December 2020	**163,864**	**213**	**164,077**
Carrying amount			
At 31 December 2020	**96,328**	**239**	**96,567**
At 31 December 2019	129,336	346	129,682

Note: The amount includes right-of-use assets resulting from new leases entered, lease modification and reassessment of extension options.

16. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (CONTINUED)

Impairment assessment

As at 31 December 2020

Ability Education and CSE were acquired during the year ended 31 December 2019 and 2020, respectively. During the year ended 31 December 2020, Ability Education and CSE made net loss of AU$12,523,000 (equivalent to approximately HK$67,129,000) and AU$3,641,000 (equivalent to approximately HK$19,518,000), respectively, due to boundary lockdown in Australia. Since their major customers are overseas students, their revenues decreased significantly during the year and thus incurred substantial losses.

ECLC was acquired during the year ended 31 December 2019. ECLC operates a pre-school in Hong Kong. During the year ended 31 December 2020, ECLC made net loss of HK$21,569,000 due to significant decrease in number of students as increase of immigration, which lead to significant decrease in revenue and therefore incurred a loss.

The Directors of the Group considered the situation, market development and future performance of the CGU and concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of the property, plant and equipment and right-of-use assets with carrying amounts of HK$20,878,000 and HK$71,024,000 respectively. The Group estimates the recoverable amount of the cash-generating unit ("**CGU**") of Ability Education and CSE (in the segment of adult education and training) and ECLC (in the segment of early childhood education business) including the goodwill arising from acquisition from Ability Education, CSE and ECLC, to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amounts of CGUs of Ability Education, CSE and ECLC have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecast approved by the Directors of the Group covering the following 5 years with a pre-tax discount rate is 12%, 13% and 14%, respectively as at 31 December 2020 (2019: 12%, nil and 14% respectively). Key assumptions are set out in Note 17. Another assumption for the value in use calculated is the budgeted major operating expenses including commissions and staff costs, which is determined based on the CGUs' past performance and management expectations for the market development. The growth rates and discount rate have been assessed as at 31 December 2020 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's education business in Australia and Hong Kong. The recoverable amount of Ability, Education, CSE and ECLC are HK$0.

Based on the assessment and the allocation, impairment loss of HK$4,685,000 (2019: HK$nil) and HK$67,751,000 (2019: HK$nil), have been recognised against the carrying amount of property, plant and equipment and right-of-use assets respectively.

As at 31 December 2019

As at 31 December 2019, the Group decided not to renew the lease for a premise used as a kindergarten in Hong Kong and assessed the recoverable amount of the related property, plant and equipment and right-of-use assets and as a result the carrying values of such assets were written down to HK$Nil. An impairment loss of HK$400,000 and HK$317,000 in respect of property, plant and equipment and right-of-use assets were recognised in the consolidated statement of profit or loss and other comprehensive income, respectively. The recoverable amount was assessed with reference to the cash flows forecast in respect of the operation of this kindergarten.

17. GOODWILL

	Acquired dancing business HK$'000	Early childhood education business HK$'000	Adult education and training business HK$'000	Provision of swallowing and speech treatment business HK$'000	Provision of photographic services business HK$'000	Total HK$'000
Cost:						
At 1 January 2019	1,897	25,408	–	15,147	9,725	52,177
Acquired on acquisitions of subsidiaries and businesses (Note 38)	–	15,810	20,222	–	–	36,032
Exchange realignment	–	449	816	–	–	1,265
At 31 December 2019 and 1 January 2020	1,897	41,667	21,038	15,147	9,725	89,474
Acquired on acquisitions of subsidiaries and businesses (Note 38)	–	36,010	14,147	–	–	50,157
Exchange realignment	–	2,959	3,224	–	–	6,183
At 31 December 2020	**1,897**	**80,636**	**38,409**	**15,147**	**9,725**	**145,814**
Accumulated impairment losses:						
At 1 January 2019, 31 December 2019 and 1 January 2020	1,897	–	–	2,400	1,600	5,897
Impairment loss	–	2,446	38,409	–	–	40,855
At 31 December 2020	**1,897**	**2,446**	**38,409**	**2,400**	**1,600**	**46,752**
Carrying amount:						
At 31 December 2020	**–**	**78,190**	**–**	**12,747**	**8,125**	**99,062**
At 31 December 2019	–	41,667	21,038	12,747	8,125	83,577

The Group tests for impairment of goodwill annually, or more frequently if there are indications that goodwill might be impaired.

Management considers that each subsidiary/sub-group of subsidiaries engaging in the early childhood education business, provision of swallowing and speech treatments business and provision of photographic service business respectively represents a separate CGU or a group of CGU where the goodwill is related to multiple CGUs for the purpose of goodwill impairment testing.

17. GOODWILL (CONTINUED)

Goodwill are allocated to each business as follows:

	As at 31 December 2020			As at 31 December 2019		
	Cost HK$'000	Accumulated impairment HK$'000	Net HK$'000	Cost HK$'000	Accumulated impairment HK$'000	Net HK$'000
Acquired Dancing Business	1,897	(1,897)	–	1,897	(1,897)	–
Early childhood education business						
Columbia Academy Pte Limited and Columbia Junior Academy Pte Limited (collectively referred to as the "**Columbia Group**")	10,889	–	10,889	10,745	–	10,745
Tinkerland Private Limited ("**Tinkerland**")	9,305	–	9,305	9,181	–	9,181
Between Two Trees Pte Limited and The Lighthouse Keepers Pte Limited (collectively referred to as the "**BTT Group**")	5,751	–	5,751	5,674	–	5,674
ECLC (as defined in Note 38)	2,446	(2,446)	–	2,446	–	2,446
Happy Family Businesses (as defined in Note 38)	7,338	–	7,338	7,240	–	7,240
Brain Explorers Businesses (as defined in Note 38)	2,670	–	2,670	2,635	–	2,635
Tinytots Sports (as defined in Note 38)	3,796	–	3,796	3,746	–	3,746
Moriah Group (as defined in Note 38)	5,867	–	5,867	–	–	–
Ichiban Entities (as defined in Note 38)	3,234	–	3,234	–	–	–
Global Tots Group (as defined in Note 38)	29,340	–	29,340	–	–	–
	80,636	(2,446)	78,190	41,667	–	41,667
Adult education and training business						
Ability Education (as defined in Note 38)	22,960	(22,960)	–	21,038	–	21,038
CSE (as defined in Note 38)	15,449	(15,449)	–	–	–	–
	38,409	(38,409)	–	21,038	–	21,038
Provision of swallowing and speech treatments business						
Hong Kong Speech & Swallowing Therapy Co. Limited ("**Hong Kong Speech**")	15,147	(2,400)	12,747	15,147	(2,400)	12,747
Provision of photographic services business						
Stage Production House Limited (formerly known as Stage Photography Company Limited) ("**Stage Production**")	9,725	(1,600)	8,125	9,725	(1,600)	8,125
	145,814	(46,752)	99,062	89,474	(5,897)	83,577

17. GOODWILL (CONTINUED)

The recoverable amount of the relevant CGUs is determined based on a value in use calculation. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and at discount rates as at 31 December 2020. The CGUs' cash flows beyond the 5-year period are extrapolated using a growth rate as at 31 December 2020 that is with reference to the historical performance of the relevant CGUs and the relevant industry growth forecasts that do not exceed the average long-term growth rate for the relevant industry.

The discount rates and growth rates applied to the cash flow projections are as follows:

	2020	2019
Early childhood education business		
– Singapore		
Average growth rate (within 5-year period)	**18.90%**	9.82%
Average growth rate (beyond 5-year period)	**1.46%**	1.47%
Discount rate	**14.00%**	11.97%
– Hong Kong		
Average growth rate (within 5-year period)	**31.39%**	54.36%
Average growth rate (beyond 5-year period)	**2.50%**	2.50%
Discount rate	**11.97%**	11.97%
Ability Education (under adult education and training business)		
Average growth rate (within 5-year period)	**21.21%**	9.00%
Average growth rate (beyond 5-year period)	**2.42%**	2.54%
Discount rate	**10.04%**	10.90%
CSE (under adult education and training business)		
Average growth rate (within 5-year period)	**15.73%**	N/A
Average growth rate (beyond 5-year period)	**2.50%**	N/A
Discount rate	**11.40%**	N/A
Provision of swallowing and speech treatments business		
Average growth rate (within 5-year period)	**9.00%**	11.00%
Average growth rate (beyond 5-year period)	**2.50%**	2.50%
Discount rate	**15.00%**	15.00%
Provision of photographic services business		
Average growth rate (within 5-year period)	**4.40%**	4.40%
Average growth rate (beyond 5-year period)	**2.50%**	2.50%
Discount rate	**15.00%**	15.00%

Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the CGUs' past performance and management's expectations on the market development.

17. GOODWILL (CONTINUED)

As at 31 December 2020

As disclosed in Note 16 to the consolidated financial statements, after reviewing business plans and cashflow forecast for coming five years, the directors of the Company have consequently determined impairment of goodwill directly related to Ability Education, CSE and ECLC amounting to AU$3,846,000 (equivalent to approximately HK$22,960,000), AU$2,588,000 (equivalent to approximately HK$15,449,000) and HK$2,446,000, respectively. The impairment loss on goodwill has been presented as a separate item in profit or loss. All of the recoverable amounts of the CGUs of Ability Education, CSE and ECLC amounted to HK$0 as at 31 December 2020.

As at 31 December 2019

During the year ended 31 December 2019, the Group has determined no impairment loss on goodwill should be recognised in the profit or loss after assessment.

Management has identified that a reasonably possible change in two key assumptions (increase of 1.5% for discount rate or decrease of 0.5% for growth rate beyond the 5-year period) could cause the carrying amount of certain CGUs to exceed their recoverable amounts. The following table shows the changes on these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

	2020	2019
Columbia Group		
– discount rate	**1.11%**	1.30%
– growth rate	**N/A**	N/A
Tinkerland		
– discount rate	**N/A**	0.84%
– growth rate	**N/A**	N/A
Brain Explorers Businesses		
– discount rate	**N/A**	0.94%
– growth rate	**N/A**	N/A
Tinytots Sports		
– discount rate	**N/A**	1.08%
– growth rate	**N/A**	N/A

For CGUs not disclosed in above table, management believes that any reasonably possible change in any of the key assumptions of cash flow projections would not cause the aggregate carrying amount of CGUs to exceed the aggregate recoverable amount of CGUs.

18. INTANGIBLE ASSETS

	Customer relationships HK$'000	Brand name HK$'000	Trademark HK$'000	Intellectual property HK$'000	Total HK$'000
Cost					
At 1 January 2019	9,486	5,388	–	–	14,874
Acquired on acquisitions of subsidiaries (Note 38)	737	–	–	–	737
Exchange realignment	38	15	–	–	53
At 31 December 2019 and 1 January 2020	10,261	5,403	–	–	15,664
Acquired on acquisitions of subsidiaries and businesses (Note 38)	21,333	–	9,445	37,948	68,726
Exchange realignment	754	26	728	591	2,099
At 31 December 2020	**32,348**	**5,429**	**10,173**	**38,539**	**86,489**
Accumulated amortisation					
At 1 January 2019	886	–	–	–	886
Charge for the year	1,501	–	–	–	1,501
Exchange realignment	6	–	–	–	6
At 31 December 2019 and 1 January 2020	2,393	–	–	–	2,393
Charge for the year	5,442	–	–	–	5,442
Exchange realignment	112	–	–	–	112
At 31 December 2020	**7,947**	**–**	**–**	**–**	**7,947**
Carrying amount					
At 31 December 2020	**24,401**	**5,429**	**10,173**	**38,539**	**78,542**
At 31 December 2019	7,868	5,403	–	–	13,271

Note: The customer relationships are amortised on a straight-line method over the period of 3 to 10 years. The brand name, trademark and intellectual property are with indefinite useful lives as the directors of the Company are of the opinion that they have no foreseeable limit to the period over which the Group's early childhood education business and swallowing and speech treatments business are expected to generate net cash flows for the Group.

19. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Interests in joint ventures		
Cost of unlisted investment in joint ventures	**156**	156
Share of post-acquisition losses	**–**	–
	156	156
Loans to joint ventures		
Loan to Well Team (as defined below)	**–**	2,194
Share of post-acquisition losses	**–**	(2,194)
	–	–
Loan to Guangzhou Delilong (as defined below)	**2,285**	2,355
Share of post-acquisition losses	**(1,333)**	(48)
	952	2,307
	952	2,307

The loans to Well Team and Guangzhou Delilong are unsecured, non-interest bearing and financed to them for their business development.

19. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

As at 31 December 2020 and 2019, details of the Group's interests in joint ventures which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name of joint venture	Form of business structure	Place of incorporation	Place of business	Particulars of issued and paid up capital capital/ registered capital	% of interest held as at 31 December 2020 %	2019 %	Principal activities
廣州德理隆商務服務有限公司 ("**Guangzhou Delilong**") (note a)	Co-operative joint venture	PRC	PRC	–	**66**	66	Operation of kindergartens
Milang and Rainbow Limited ("**Milang and Rainbow**")	Co-operative joint venture	BVI	Hong Kong	US$40,000	**50**	50	Inactive
Mutual Bright Corporation Limited ("**Mutual Bright**") (note b)	Co-operative joint venture	Hong Kong	Hong Kong	HK$2	**N/A**	50	Jazz and ballet academy
Well Team International Development Limited ("**Well Team**") (note b)	Co-operative joint venture	Hong Kong	Hong Kong	HK$2	**N/A**	50	Jazz and ballet academy

Notes:

(a) Guangzhou Delilong is jointly controlled by the Group and the other investor by virtue of contractual arrangements between both parties. Therefore, it is classified as joint venture of the Group.

(b) During the year ended 31 December 2020, the Group acquired remaining 50% equity interest in Well Team, and meanwhile disposed its entire interest in Mutual Bright. Accordingly, Well Team has become a subsidiary of the Group. The Group derecognised both Well Team and Mutual Bright as investments in joint ventures, and accounted for the business combination under acquisition method for Well Team. Detail of transactions are set out in note (e) in 38(i).

19. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

Summarised financial information of the joint ventures

Summarised financial information in respect of the Group's significant joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Guangzhou Delilong

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current assets	**2,804**	2,874
Non-current assets	**1,095**	1,076
Current liabilities	**(5,918)**	(4,023)
Net liabilities	**(2,019)**	(73)
Included in the above assets and liabilities:		
Cash and cash equivalent	**1,720**	1,713
Current financial liabilities (excluding trade and other payables and provision)	**(2,495)**	(2,349)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**8,747**	11,911
(Loss)/Profit and total comprehensive (loss)/income for the year	**(1,946)**	160
Included in the above (loss)/profit for the year:		
Depreciation and amortisation	**10**	113

19. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

Summarised financial information of the joint ventures (Continued)

Guangzhou Delilong (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guangzhou Delilong recognised in the consolidated financial statements:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Net liabilities of Guangzhou Delilong	**(2,019)**	(73)
Proportion of ownership interests in Guangzhou Delilong held by Group	**66%**	66%
	(1,333)	(48)
Loan to Guangzhou Delilong	**2,285**	2,355
Carrying amount of the Group's interest in Guangzhou Delilong in the consolidated financial statements	**952**	2,307

Well Team

	As at 31 December 2019 HK$'000
Current assets	6,974
Non-current assets	2,473
Current liabilities	(13,634)
Non-current liabilities	(558)
Net liabilities	(4,745)
Included in the above amounts of assets and liabilities:	
Cash and cash equivalents	585
Current financial liabilities (excluding trade and other payables and provision)	–

19. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES (CONTINUED)

Summarised financial information of the joint ventures (Continued)

Well Team (Continued)

	Period from 1 January 2020 to 17 April 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**1,116**	6,529
Loss and total comprehensive loss for the period/year	**(133)**	(235)
Included in the above loss for the period/year:		
Depreciation and amortisation	**146**	2,279

Reconciliation of the above summarised financial information to the carrying amount of the interest in Well Team recognised in the consolidated financial statements:

	As at 31 December 2019 HK$'000
Net liabilities of Well Team	(4,745)
Proportion of ownership interest in Well Team held by the Group	50%
	(2,373)
Loan to Well Team	2,194
Carrying amount of the Group's interest in Well Team in the consolidated financial statements (Note)	–

Note: The Group shared its losses up to the Group's investment and long term loan to Well Team. As at 31 December 2019, the accumulated losses not recognised was HK$179,000.

Aggregate information of joint ventures that are not individually material

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
The Group's share of profit from operations and total comprehensive income	**–**	–
Carrying amount of the Group's interest in the joint ventures	**156**	156

Note: The Group showed their losses up to the Group's investment for Mutual Bright. As at 31 December 2019, the accumulated losses not recognised was HK$15,000.

20. INTEREST IN AN ASSOCIATE

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Interest in an associate	**1,438**	1,252

Name of associate	Form of business structure	Place of incorporation and business	Issued and fully paid share capital	% if attributable equity interest held as at 31 December 2020 %	2019 %	Principal activities
Sunflower Preschool @ Dakota Pte. Ltd. ("**Dakota**")	Limited liabilities company	Singapore	S$50,000	**49%**	49%	Operation of kindergartens

The Group acquired 49% of equity interest of Dakota at a consideration of HK$1,210,000 during the year ended 31 December 2019. Dakota is an unlisted corporate entity whose quoted market price is not available.

Summarised financial information of the associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

The associate is accounted for using the equity method in these consolidated financial statements.

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current assets	**686**	267
Non-current assets	**3,291**	2,709
Current liabilities	**(1,336)**	(2,911)
Non-current liabilities	**(2,231)**	–
Net assets	**410**	65
Included in the above amounts of assets and liabilities:		
Cash and cash equivalents	**205**	37
Current financial liabilities (excluding trade and other payables and provision)	**(27)**	(2,627)

20. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information of the associate (Continued)

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Revenue	**2,749**	1,106
Profit and total comprehensive income for the year	**330**	65
Included in the above profit for the year:		
Depreciation and amortisation	**449**	15

Reconciliation of the above summarised financial information to the carrying amount of the interest in Dakota Pte Ltd recognised in the consolidated financial statements:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Net assets of Dakota Pte Ltd	**410**	65
Proportion of ownership interest in Dakota Pte Ltd held by the Group	**49%**	49%
	201	32
Goodwill	**1,237**	1,220
Carrying amount of the investments in Dakota Pte Ltd in the consolidated financial statements	**1,438**	1,252

21. DEPOSITS FOR ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

During the years ended 31 December 2020 and 2019, the Group entered into a number non-legal binding term sheets/memorandum of understandings and sale and purchase agreements with different vendors, to acquire either entire or partial interests in a number of entities/businesses which principal activities in education sector in Australia, Singapore and Thailand. Pursuant to the respective term sheets/memorandum and sale and purchase agreements, the Group paid aggregate amount as earnest monies/deposits which will be utilised to settle part of the purchase consideration in the future.

Among the deposits of HK$68,037,000 as at 31 December 2019, HK$35,223,000 were related to the acquisitions completed, S$145,000 (equivalent to approximately HK$816,000) was recognised as loan to holding company of an associate subsequent to 31 December 2019, and S$133,000 (equivalent to approximately HK$739,000) were refunded due to termination of acquisition plans during the year ended 31 December 2020.

The deposits of HK$33,770,000 as at 31 December 2020 were related to the acquisitions under process.

22. INVENTORIES

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Finished goods – uniforms, shoes, accessories and others	**2,204**	2,134

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Trade receivables	**3,546**	4,882
Less: ECL allowance	**(294)**	(400)
	3,252	4,482
Rental deposits	**15,243**	12,385
Staff loans (Note a)	**–**	368
Loan receivables	**16,554**	9,886
Franchising fee income receivable	**5,901**	–
Management fee income receivable	**7,424**	3,800
Other deposits, receivables and prepayments	**17,721**	15,667
Total trade and other receivables, deposits and prepayments	**66,095**	46,588
Less: Non-current portion		
Rental deposits	**(9,578)**	(8,073)
Loan to holding company of an associate (Note b)	**(15,803)**	(9,886)
Loan to third party (Note c)	**(751)**	–
Other receivables	**(402)**	–
Deposit for acquisition of property, plant and equipment	**(1,077)**	–
Non-current portion	**(27,611)**	(17,959)
Current portion	**38,484**	28,629

The directors of the Group consider that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts.

23. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Notes:

(a) In 2015, staff loans with an aggregate principal amount of HK$2,600,000 were granted to two key management and are required to be settled during the years 2016 to 2020. The amount is unsecured and interest bearing at 4.65% per annum. In accordance with the repayment schedules, staff loans amounted to HK$368,000 are required to be settled within one year. Accordingly, staff loans of HK$368,000 are classified as current assets as at 31 December 2019. The loan was settled during the year ended 31 December 2020.

(b) The loan to holding company of an associate represented advances of S$2,695,000 (equivalent to approximately HK$15,803,000) (2019: S$1,701,000 (equivalent to approximately HK$9,886,000)) to the shareholders of an associate, which are unsecured, interest bearing at 4.12% to 4.19% and repayable in June to October 2022. For the advance of S$926,000 (equivalent to approximately HK$5,436,000) (2019: HK$nil), the borrower has option to transfer ownership interest in its investees to the Group in lieu and in full discharge of the repayment obligation at maturity date.

(c) The loan to third party represented advance of S$128,000 (equivalent to approximately HK$751,000) (2019: HK$nil) to a third party, which are unsecured, interest bearing at Singapore Interbank Offered Rate plus 2% and repayable in December 2022. Pursuant to the loan agreement, the third party has the option to transfer 80% of its ownership interest in the business to the Group in lieu and in full discharge of the repayment obligation at maturity date.

Trade receivables mainly represent tuition fees receivables from students and receivables from financial institutions in relation to the payments settled through credit cards by customers of which the settlement period is normally one to two months from transaction date.

Based on the invoice dates, the ageing analysis of the trade receivables, net of ECL allowance, was as follow:

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
0 – 30 days	**816**	2,914
31 – 60 days	**677**	1,018
61 – 90 days	**359**	–
91 – 180 days	**194**	399
181 – 365 days	**1,206**	151
	3,252	4,482

The movement in the ECL allowance of trade receivables is as follows:

	2020 HK$000	2019 HK$000
Balance at 1 January	**400**	–
ECL allowance recognised during the year	**242**	345
Exchange realignment	**(23)**	55
ECL allowance reversed during the year	**(325)**	–
Balance at 31 December	**294**	400

24. DEFERRED INCOME AND CONTRACT COSTS

24.1 Deferred income

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Deferred income arising from		
– dance academy classes contracts	**32,931**	35,142
– adult language courses contracts	**2,393**	15,413
– other contracts	**3,723**	1,384
	39,047	51,939

Deferred income mainly represents the course fee received in advance pursuant to the contracts with customers, this will give rise to deferred income at the start of a contract until the revenue recognised exceeds the amount of the advance payments. The decrease in deferred income as at 31 December 2020 was mainly due to less visa approval for overseas travelling due to COVID-19. The increase in deferred income as at 31 December 2019 was mainly due to addition through acquisition of a subsidiary.

Deferred income outstanding at the beginning of the year amounting to HK$43,434,000 (2019: HK$31,729,000) have been recognised as revenue during the year.

Unsatisfied long-term contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2020 and 2019 are as follows:

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Within one year	**37,531**	50,704
More than one year	**1,516**	1,235
	39,047	51,939

All tuition for kindergarten and pre-schools, sales of uniforms, shoes and accessories, swallowing and speech treatment services and photographic services are for a period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

24. DEFERRED INCOME AND CONTRACT COSTS (CONTINUED)

24.2 Assets recognised from incremental costs of obtaining a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to the costs to obtain a long-term contract, which represents the incremental sales commissions paid to agents whose selling activities resulted in enrolment of adult language courses in Australia which were still not yet completed at the end of the reporting period. This is presented with "trade and other receivables, deposits and prepayments" in the consolidated statement of financial position.

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Asset recognised from incremental costs of obtaining a contract	**1,478**	4,395

Contract costs are recognised as part of "advertising and promotion expenses" in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from provision of language courses is recognised. The amount of sales commission recognised in profit or loss during the year ended 31 December 2020 was HK$11,510,000 (2019: HK$4,017,000). There was no impairment in relation to the costs capitalised during the year (2019: HK$Nil). As at 31 December 2020 and 2019, all of capitalised contract costs that is expected to be recovered within one year.

25. AMOUNTS DUE FROM/(TO) RELATED PARTIES

Amounts due from related parties

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Amounts due from joint ventures:		
– Mutual Bright	–	395
– Well Team	–	–
– Guangzhou Delilong	1	1
	1	396
Impairment loss allowance	–	(28)
	1	368
Amounts due from other related parties:		
– Dr. Chun Chun	537	414
– Wealthy Together (Note i)	63	1
– Rainbow Creative Arts Limited ("**Rainbow**") (Note ii)	2,503	1,458
– Dunn's Education Limited ("**Dunn's Education**") (Note iii)	587	269
– E.L.S.A. EDU. Limited ("**E.L.S.A**") (Note iii)	14	14
– Excel Concept Technology Development Limited ("**Excel Concept**") (Note ii)	4,898	4,898
– Red Vocal Limited ("**Red Vocal**") (Note iv)	531	265
– 廣州市白雲區南湖外語藝術幼兒園 ("**南湖幼兒園**") (Note v)	49	49
– Others	342	21
	9,524	7,389
Impairment loss allowance	(659)	(52)
	8,865	7,337
Total	8,866	7,705

25. AMOUNTS DUE FROM/(TO) RELATED PARTIES (CONTINUED)

Amounts due to related parties

	As at 31 December 2020 HK$000	As at 31 December 2019 HK$000
Amounts due to joint ventures:		
– Milang & Rainbow	**123**	123
– Well Team	**–**	756
	123	879
Amount due to a director:		
– Yeung Siu Foon	**1,450**	–
Amounts due to other related parties:		
– Rainbow (Note ii)	**114**	113
– TIM EDPlatform Ltd ("**TIM EDPlatform**") (Note vii)	**81**	80
– Hong Kong Association of Children Dance Promotion Company Limited ("**HKACD**") (Note vi)	**371**	148
– Excel Concept (Note ii)	**1,290**	–
	1,856	341
Total amounts due to related parties	**3,429**	1,220

Notes:

(i) Wealthy Together is 100% beneficially owned by the Controlling Shareholder.

(ii) Rainbow and Excel Concept are 100% beneficially owned and controlled by the Controlling Shareholder.

(iii) Dunn's Education is 33.33% beneficially owned and controlled by the Controlling Shareholder and E.L.S.A. is 75% beneficially owned and controlled by Dunn's Education.

(iv) Red Vocal is 50% beneficially owned and controlled by Excel Concept.

(v) 南湖幼兒園 is 100% beneficially owned and controlled by Guangzhou Delilong, a joint venture of the Group.

(vi) HKACD is 100% owned and controlled by a director of the Group.

(vii) TIM EDPlatform is 73% beneficially owned and controlled by Excel Concept and the Controlling Shareholder.

25. AMOUNTS DUE FROM/(TO) RELATED PARTIES (CONTINUED)

All balances as at 31 December 2020 and 2019 are unsecured, non-interest bearing and repayable on demand which are classified as current as they are expected to be recovered within twelve months from the end of reporting period. The amounts due from related companies are non-trade in nature. As at 31 December 2020, amounts due from related parties included lease receivables for short term leases of HK$3,088,000 (2019: HK$2,203,000).

Details of impairment assessment of amounts due from related parties for the year ended 31 December 2020 are set out in Note 42.5.

Maximum amount of the amounts due from related parties outstanding during the respective year:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Amounts due from joint ventures:		
– Mutual Bright	**–**	2,778
– Well Team	**–**	864
– Guangzhou Delilong	**1**	1
Amounts due from other related parties:		
– Dr. Chun Chun	**604**	488
– Wealthy Together	**63**	1
– Rainbow	**2,596**	1,812
– Dunn's Education	**636**	694
– E.L.S.A.	**14**	14
– Excel Concept	**4,898**	4,898
– Red Vocal	**531**	535
– 南湖幼兒園	**49**	49
– Others	**724**	64

26. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

All balances were non-trade in nature, unsecured, non-interest bearing and repayable on demand.

27. FINANCIAL INVESTMENTS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Exchange-traded fund listed in the United States	**–**	484
Equity securities listed in Hong Kong (Note)	**–**	13,639
Equity securities/funds listed in Singapore	**–**	5,493
Debt securities	**–**	27,422
Structured products – equity linked note	**–**	2,586
	–	49,624

27. FINANCIAL INVESTMENTS (CONTINUED)

Except for the debt securities which are measured at FVOCI, all of the above financial investments are measured at FVTPL.

Note: As at 31 December 2019, asset arising from this Indemnity of HK$948,000 was recognised and included in the carrying value of equity securities listed in Hong Kong according to the deed of settlement entered by the Company and the representative of an investment manger. The reduction of actual settlement of indemnity was due to the increase in total value of assets under the investment portfolio during the year ended 31 December 2020. Upon realisation of the investment portfolio, the actual final settlement of indemnity is amounting to approximately HK$821,000. Reversal of income amounting to HK$127,000 (Note 7) arising from an indemnity is recognised in profit or loss during the year ended 31 December 2020.

All of financial investments were disposed of during the year ended 31 December 2020.

28. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash and cash equivalents include the following components:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Cash at bank and in hand	**49,161**	76,223
Less: Pledged time deposits	**(10,703)**	(9,835)
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	**38,458**	66,388

The bank balances carried interest at average market rates of 0.1% (2019: 0.1%) per annum as at 31 December 2020. Pledged time deposits earn interest ranging at 0.14% to 1.55% per annum (2019: 0.25% to 1.55%) and have a maturity of seven days to three months (2019: three to five months).

Included in cash and cash equivalents and time deposits of the Group is HK$145,000 (2019: HK$166,000) of bank balances denominated in Renminbi ("**RMB**") placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

29. TRADE AND OTHER PAYABLES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Trade payables	**326**	236
Accrued staff costs	**4,476**	2,043
Accrued interest expenses on corporate bonds	**2,096**	3,550
Accrued audit fee	**4,280**	2,860
Accrued construction costs	**746**	4,298
Customer deposits	**7,054**	1,828
Advance receipt arising from a new convertible note to be issued (note 32(c))	**–**	7,800
Other payables and accrued charges (Note)	**21,078**	11,947
	40,056	34,562

The Group was granted by its suppliers credit periods ranging from 30 – 60 days. Based on the invoice dates, the ageing analysis of the trade payables is ranged from 0 to 120 days.

All amounts are short term and hence the carrying values of the Group's trade payables and accrued expenses are considered to be a reasonable approximation of fair value.

Note: Included in the Group's other payables and accrued charges as at 31 December 2020 were amounts of HK$4,786,000, HK$2,112,000 and HK$3,085,000 (2019: HK$3,908,000, HK$2,679,000 and HK$nil), which represented agency commission payable, other tax payable and advance receipts from customers for examination and competition, respectively.

30. CONSIDERATION PAYABLES

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Under current liabilities		
– acquisition for Global Win Group	**128,400**	56,710
– acquisition for CSE (Note 38(b))	**2,696**	–
– acquisition for Global Tots Group* (Note 38(d))	**22,306**	–
– acquisition for Ichiban Entities (Note 38(c))	**540**	–
	153,942	56,710
Under non-current liabilities		
– acquisition for Global Win Group	**–**	28,890
	153,942	85,600
Measured at:		
FVTPL	**128,400**	85,600
Amortised cost	**25,542**	–
	153,942	85,600

* The amount is measured at FVTPL until end of year ended 31 December 2020, when the obligation of payment of S$3,800,000 (equivalent to approximately HK$22,306,000) is concluded. As at 31 December 2020, it is measured at amortised cost.

30. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of Global Win Group

Pursuant to the sales and purchase agreement dated 18 September 2017 and subsequent supplemental agreements on 30 March 2018 and 19 June 2018 (collectively referred to "**Global Win S&P Agreements**") entered into by the Company and the Controlling Shareholder, and a non-executive director, Dr. Chun Chun, (collectively referred to as the "**Vendors**"), the Company acquired the entire issued share capital of Global Win (BVI) Limited ("**Global Win**") at 31 July 2018 with total consideration of HK$32,000,000 which shall be satisfied by way of issue of 80,000,000 new ordinary shares of the Company to each of the Vendors in proportion to their respective shareholdings in Global Win ("**Global Win Consideration Payable**"). The principal assets of Global Win is its investment in the wholly owned subsidiaries, Hong Kong Speech and Stage Production (collectively refer to as the "**Global Win Group**").

Pursuant to the Global Win S&P Agreements, the Global Win Consideration Payable, subject to adjustment, shall be paid in three installments, which shall be satisfied by the allotment and issue of the respective maximum number of new ordinary shares of the Company within five business days after the date of issuance of the audited financial statements for Global Win Group for the 1 to 12 full months, 13 to 24 months and 25 to 36 months following the completion of the acquisition of Global Win ("**Relevant Periods**").

Pursuant to the Global Win S&P Agreements, the Vendors jointly and severally and irrevocably and unconditionally guarantee to the Company that the audited consolidated net profit after taxation (excluding all income or loss generated from activities outside the ordinary and usual course of business) ("**Actual Net Profit**") of Global Win Group based on the audited financial statements for the respective Relevant Periods, shall not be less than the guaranteed profits ("**Guaranteed Profits**"). If the Actual Net Profit is less than the Guarantee Profits, the number of new ordinary shares of the Company to be issued as consideration should be adjusted in accordance with the terms of the Global Win S&P Agreements. The details of the Global Win S&P Agreements are set out in the circular issued by the Company dated 6 July 2018.

At the date of obtaining the control of Global Win, 31 December 2019 and 31 December 2020, the directors of the Company considered that the Guaranteed Profits for each of the three Relevant Periods shall be achievable, 80,000,000 new ordinary shares of the Company would be issued in accordance with the Global Win S&P Agreements.

The Global Win Consideration Payable is recognised at fair value. Subsequent to the initial recognition, the Global Win Consideration Payable is measured at fair value with changes in fair value recognised in profit or loss. The fair value of the Global Win Consideration Payable at the date of obtaining the control of Global Win of HK$36,000,000 is determined by reference to the quoted market price of HK$0.45 per each of the ordinary shares of the Company at the date of obtaining the control of Global Win. As at 31 December 2020, the fair value of the Global Win Consideration Payable is HK$128,400,000 (2019: HK$85,600,000) which is determined by reference to the quoted market price of HK$2.40 (2019: HK$1.07) per each of the ordinary shares of the Company at 31 December 2020. During the year ended 31 December 2020, 26,500,000 shares were issued at HK$2.41 per shares (note 30). The Group recognised a loss on change in fair value of Global Win Consideration Payable of HK$106,665,000 (2019: HK$38,400,000) in profit or loss during the year ended 31 December 2020.

30. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of Global Win Group (Continued)

The directors of the Company considered that 53,500,000 new ordinary shares (2019: 53,000,000 new ordinary shares) of the Company will be issued within one year from end of reporting date and the remaining nil new ordinary shares (2019: 27,000,000 new ordinary shares) of the Company will be issued after one year from end of reporting date in accordance with the terms of the Global Win S&P agreements. Accordingly, the carrying amount of Global Win Consideration Payable of HK$128,400,000 (2019: HK$56,710,000) is classified as current liabilities and the carrying amount of Global Win Consideration Payable of HK$nil (2019: HK$28,890,000) is classified as non-current liabilities.

Acquisition of CSE

Pursuant to the sale and purchase agreement dated 14 January 2019 and supplemental agreements (collectively referred to "**CSE S&P Agreements**") entered into by a wholly–owned subsidiary of the Company and the vendor of CSE (as defined in Note 38), the Group acquired the entire equity interest of CSE at consideration of AU$2,628,000 (equivalent to approximately HK$14,367,000). AU$1,129,000 (equivalent to approximately HK$6,172,000) out of the total shall be settled by ten equal instalments. As at 31 December 2020, four instalments of AU$451,000 (equivalent to approximately HK$2,696,000) remained unpaid and the balance is included in consideration payables under current liabilities.

Acquisition of Global Tots Group

Pursuant to the Memorandum of Understanding ("**MOU**") dated 7 August 2019, the sales and purchase agreement dated 21 January 2020 and the supplemental agreement dated 13 March 2020 (collectively referred to "**Global Tots S&P Agreements**") entered into by a wholly owned subsidiary of the Company and the vendors, the Group acquired the entire issued share capital of four private companies which are limited by shares incorporated in Singapore (the "**Global Tots Group**"), in full at the maximum aggregate consideration of S$7,800,000 (equivalent to approximately HK$45,786,000).

The maximum aggregate consideration shall be the total of the base consideration and the bonus consideration to be paid by the purchaser to the vendors at the completion pursuant to the Global Tots S&P Agreements. The base consideration shall be S$4,000,000 (equivalent to approximately HK$23,480,000). The vendors may be paid for the bonus consideration up to the maximum amount of S$3,800,000 (equivalent to approximately HK$22,306,000).

The payment of the base consideration shall not be subject to any condition precedent save that the acquisition having been completed on the completion date in accordance with the Global Tots S&P Agreements (or else, Refund shall take place). The payment of the bonus consideration shall be calculated based on (a) the financial period of the Global Tots Group from 1 January 2020 to 31 December 2020; and (b) the annual audited collective consolidated EBITDA of the Global Tots Group being not less than S$770,000 (equivalent to approximately HK$4,519,900). Payment of any such bonus consideration shall be made on a pro-rata basis based on a multiple of 5.2 times the collective consolidated EBITDA earnings, less the base consideration. The vendors shall only be entitled to the bonus consideration provided that a minimum collective consolidated EBITDA of S$770,000 (equivalent to approximately HK$4,519,900) is achieved. At the date of acquisition, the Group recognised S$3,471,000 (equivalent to approximately HK$18,917,000) based on their best estimates as consideration payable for the bonus consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

30. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of Global Tots Group (Continued)

As at 31 December 2020, based on the actual EBITDA of Global Tots Group from 1 January 2020 to 31 December 2020, the Group has recognised the maximum amount of S$3,800,000 (equivalent to approximately HK$22,306,000) as consideration payables as at 31 December 2020 which was stated at amortised cost since then. The Group recognised a loss in fair value change of S$329,000 (equivalent to approximately HK$1,851,000) in profit or loss during the year ended 31 December 2020.

Acquisition of Ichiban Entities

Pursuant to the first term sheet dated 23 September 2019, the supplemental term sheet dated 28 February 2020 and the sales and purchase agreement dated 1 April 2020 (collectively referred to "**Ichiban S&P Agreements**"), entered into by a wholly-owned subsidiary of the Group and the vendors, the Group acquired the pre-schools business at cash consideration of S$692,000 (equivalent to approximately HK$3,737,000).

31. PROVISIONS

The amount represents provision for reinstatement cost:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
As at 1 January	**9,243**	2,400
Additions	**485**	5,530
Acquired on acquisitions of subsidiaries and businesses (Note 38)	**2,384**	1,526
Utilised during the year	**(368)**	(299)
Exchange realignment	**546**	86
As at 31 December	**12,290**	9,243
Analysed as:		
– current	**2,396**	1,960
– non-current	**9,894**	7,283
	12,290	9,243

The provision is made based on the best estimate of the reinstatement costs for restoring the leased properties at the end of the respective reporting period which will be the expected timing of the outflows of economic benefits.

32. BORROWINGS

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Current			
Bank borrowings	(a)	**2,342**	4,815
Securities margin loan	(a)	**–**	639
Corporate bonds	(b)	**50,000**	71,000
Convertible notes	(c)	**41,643**	–
Non-current			
Convertible notes	(c)	**248,040**	204,466
		342,025	280,920

(a) Bank borrowings and securities margin loan

The carrying amounts of bank borrowings and securities margin loan that contain a repayable on demand clause (classified as current liabilities) but are repayable based on schedule repayment dates set out in the loan agreements are as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Within 1 year	**2,342**	5,359
After 1 year but within 2 years	**–**	95
	2,342	5,454

As at 31 December 2020 and 2019, both the Group's bank borrowings and securities margin loan were secured.

Bank borrowings

As at 31 December 2020, a bank loan of HK$95,000 (2019: HK$315,000) bears variable interest at Best Lending Rate plus 1% per annum. The bank loan is secured by a property of a non-executive director and also guaranteed by a non-executive director for unlimited amount.

As at 31 December 2020, a bank loan of HK$2,247,000 (2019: HK$4,500,000) bears variable interest at Hong Kong Interbank Offered Rate plus 1.7% or the bank's cost of funds, whichever is higher, per annum. It is secured by two properties of a non-controlling shareholder of a subsidiary and also guaranteed by this non-controlling shareholder of a subsidiary for unlimited amount.

32. BORROWINGS (CONTINUED)

(a) Bank borrowings and securities margin loan (Continued)

Securities margin loan

This represents securities margin financing received from a stock broking house which is secured by certain collateral of the Group as disclosed in Note 39. Additional funds or collateral are required if the balance of the borrowing exceeds the eligible margin value of securities pledged to the broking house. The collateral can be sold at the broking houses' discretion to settle any outstanding borrowing owed by the Group. The entire loan is repayable on demand and bears variable interest at prime rate plus 0.75% per annum. The loan amount is offsetted with the realisation of financial investments during the year ended 31 December 2020.

(b) Corporate bonds

(i) Corporate bonds issued during the year ended 31 December 2017

On 11 December 2017, the Company as the issuer entered into the placing agreement with Pacific Foundation Securities Limited, the Placing Agent, which is an independent third party, pursuant to which the Placing Agent agreed to act as a placing agent, for the purpose of procuring, on the best effort basis, of not less than six independent places for the subscription of the Company's bonds with an aggregate principal amount of up to HK$80,000,000. The bonds (with face value of HK$1,000,000 for each of the bonds) carry interest at 5% per annum and will mature on the day falling on the second anniversary of the date of issue. The Company may redeem any bonds and cancel any or all outstanding bonds at any time by giving a 15 business days prior notice to the holders of the bonds at face value of the bonds together with any accrued interest up to the redemption date. The repayment of the bonds is guaranteed by Wealthy Together, a company which is wholly and beneficially owned by the Controlling Shareholder.

As at 31 December 2019, the corporate bonds measured at amortised cost totalling HK$71,000,000 were recorded as current liabilities. As at 6 January 2020, the corporate bonds were matured and fully settled by the Group.

(ii) Corporate bonds issued during the year ended 31 December 2020

On 2 January 2020, the Company and Innovax Securities Limited entered into a placing agreement for the placing of unlisted bonds issued by the Company with an aggregate principal amount of up to HK$50,000,000. The bonds carry interest at 10% per annum and will be matured on 31 December 2021. One of the investors is a substantial shareholder of the Company who has committed to subscribe for HK$49,600,000 of the principal amount of such unlisted bonds.

As at 31 December 2020, the corporate bonds measured at amortised cost totalling HK$50,000,000 were recorded as current liabilities.

32. BORROWINGS (CONTINUED)

(c) Convertible notes

Singapore Convertible Note

Movements of Singapore Convertible Note as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	**204,466**	–
Issuance	**–**	195,400
Fair value change in profit or loss	**44,581**	9,636
Exchange realignment	**(1,007)**	(570)
As at 31 December	**248,040**	204,466

On 24 December 2018 and 12 February 2019, the Company, SDM Asia Limited (the "**Issuer**"), a wholly-owned subsidiary of the Company, and an independent investor (the "**Investor**") entered into a Singapore CN Subscription Agreement and an amendment deed to the Singapore CN Subscription Agreement (the "**Singapore Amendment Deed**") respectively. Pursuant to the Singapore CN Subscription Agreement and the Singapore Amendment Deed, the Issuer conditionally agreed to issue and the Investor conditionally agreed to subscribe for the Singapore Convertible Note in the principal amount of US$25,000,000 (equivalent to approximately HK$195,400,000). The Singapore Convertible Note bears coupon interest at the rate of 8% per annum, payable upon redemption by the noteholder on the maturity date in 2023. The Singapore Convertible Note shall be converted into new preference shares of the Issuer upon the occurrence of certain events as detailed in the Singapore CN Subscription Agreement and the Singapore Amendment Deed.

All the conditions precedent to the Singapore CN Subscription Agreement (as amended and supplemented by the Singapore Amendment Deed) had been fulfilled and the completion took place on 12 February 2019. Accordingly, the Singapore Convertible Note in the principal amount of US$25,000,000 (equivalent to approximately HK$195,400,000) has been issued by the Issuer to the Investor.

The Singapore Convertible Note is guaranteed by the Company and secured by the entire equity interest in SDM Asia Limited held by the Group (Note 39).

As at 31 December 2020, the Singapore Convertible Note measured at fair value through profit or loss amounted to HK$248,040,000 (31 December 2019: HK$204,466,000) were recorded as non-current liabilities.

32. BORROWINGS (CONTINUED)

(c) Convertible notes (Continued)

Australia Convertible Note

Movements of Australia Convertible Note as follows:

	2020 HK$'000
As at 1 January	–
Issuance	39,000
Fair value change in profit or loss	2,883
Exchange realignment	(240)
As at 31 December	**41,643**

On 17 January 2020, the Company and SDM Australian Education Limited ("**SAEL**"), a wholly-owned subsidiary of the Company, entered into a subscription agreement (the "**Australia CN Subscription Agreement**") with Golden Pursue Limited, an independent third party.

Pursuant to the Australia CN Subscription Agreement, SAEL conditionally agreed to issue and Golden Pursue Limited has conditionally agreed to subscribe for Australia Convertible Note in the principal amount of US$5,000,000 (equivalent to approximately HK$39,000,000). The Australia Convertible Note bears coupon interest at the rate of 8% per annum. Unless previously redeemed, converted or repaid and cancelled in accordance with the terms and conditions of Australia CN Subscription Agreement, the Australia Convertible Note has a term of 48 months.

32. BORROWINGS (CONTINUED)

(c) Convertible notes (Continued)

Australia Convertible Note (Continued)

The principal conversion and redemption terms are as follows:

Redemption at maturity

Unless previously redeemed, converted or repaid and cancelled as provided in the notes instrument, and subject to its conversion restriction, the Group shall redeem the Australia Convertible Note on the maturity date.

Redemption at the option of the Group

The Group shall have the right to redeem some or all of the Australia Convertible Note during any time between 18 months after the issue date and the maturity date.

Redemption for a relevant event

Following the occurrence of a relevant event, the holder of Australia Convertible Note shall have the right to require the Group to redeem some or all of such noteholder's Australia Convertible Note.

Redemption upon event of default

If any of the event of default occurs, then noteholders holding in aggregate not less than 25% of the principal amount of the Australia Convertible Note then outstanding may, at their discretion, give notice to the Group that their Australia Convertible Note are, and they shall immediately become, due and repayable at an amount equal to the sum of (i) 100% of the principal amount outstanding of the Australia Convertible Note to be repaid together with interest accrued to the date of repayment and (ii) such amount as would result in an internal rate of return on the Australia Convertible Note to be repaid of 20% per annum from the issue date to the date of repayment, and the noteholders are entitled to immediately exercise their rights and remedies under the Australia Convertible Note without the need to give any notice referred to above to the Group.

Conversion right

The Australia Convertible Note shall entitle the noteholder to convert such Australia Convertible Note into conversion shares credited as fully paid at any time during any time after 6 months from the issue date up to the close of business on the third day prior to the maturity date or, if such Australia Convertible Note shall have been called for redemption by the noteholders prior to the maturity date, then at any time after the issue date up to the close of business on a date no less than three days prior to the date fixed for redemption thereof.

32. BORROWINGS (CONTINUED)

(c) Convertible notes (Continued)

Australia Convertible Note (Continued)

The Australia Convertible Note is guaranteed by the Company and secured by the entire equity interest in SAEL held by the Group.

The Australia Convertible Note has been fully and completely redeemed in January 2021.

Deposit of US$1,000,000 (equivalent to approximately HK$7,790,000) were received by the Company during the year ended 31 December 2019 and was included in other payables as at 31 December 2019. The remaining balance of US$4,000,000 (equivalent to approximately HK$31,004,000) were received by the Company during the year ended 31 December 2020.

According to Australia CN Subscription Agreement, when the EBITDA of SAEL are lower than USD1,250,000 for the year ended 31 December 2020 and any financial year prior to the maturity date, the noteholders shall have absolute right to demand for full redemption. The Group are unable to meet this target for the year ended 31 December 2020 and therefore the Australia Convertible Note were recorded as current liabilities as at 31 December 2020.

The Company designated each of Singapore Convertible Note and Australia Convertible Note (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. In subsequent periods, such convertible notes are remeasured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible notes are charged to profit or loss immediately.

The carrying amount of all convertible notes recognised in the consolidated statement of financial position is calculated as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	**204,466**	–
Issuance of convertible notes	**39,000**	195,400
Fair value changes	**47,464**	9,636
Exchange realignment	**(1,247)**	(570)
As at 31 December	**289,683**	204,466
Analysed as:		
Non-current	**248,040**	204,466
Current	**41,643**	–
	289,683	204,466

33. OBLIGATION ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

	2020 **HK$'000**	2019 HK$'000
As at 1 January	**9,459**	9,145
Imputed interest expense (note 8)	**1,222**	314
Re-measurement	**(10,681)**	–
As at 31 December	**–**	9,459

On 1 September 2017, Prism International Pre-School Limited ("**Prism**") entered into Investment Agreement ("**Investment Agreements I**") and supplemental agreements on 25 September 2017 and 28 September 2017, respectively, with three individual independent investors (the "**Investors**"). Pursuant to the Investment Agreements I and supplemental agreements, the Investors agreed to subscribe for and Prism agreed to allot and issue to the Investors new ordinary shares of Prism, representing a total of 35% of the enlarged entire issued ordinary share capital of Prism with a total cash consideration of HK$10,500,000. In addition, put options were granted to the Investors in the transaction. Each of the Investors has the right pursuant to the put options, during the period of six months or such other period to be mutually agreed by the parties to the respective Investment Agreements I and supplemental agreements commencing from the issue date of the audited financial statements of Prism for the financial year ending 31 December 2022, to require Prism to purchase all (but not part) of the outstanding ordinary shares of Prism held by the Investors at an option strike price to be determined based on five times of the actual net profit after tax of Prism under the financial year ending 31 December 2022 while the total maximum amount payable by Prism to the Investors for the put options shall be an aggregate amount of HK$12,250,000.

As at 31 December 2019, as the Investors have no right to exercise the put options until 1 January 2023 or later pursuant to the Investment Agreements I, the obligation arising from put options written to non-controlling shareholders of a subsidiary were classified as non-current liabilities.

During the year ended 31 December 2020, one out of two pre-schools was ceased due to decrease in demand and the remaining pre-school was not profitable. In the opinion of the Directors, there would be no profit for the year ending 31 December 2022. Thus, the put options were re-measured to HK$0 as at 31 December 2020 (2019: HK$9,459,000).

34. LEASE RECEIVABLES AND LIABILITIES

(a) Lease receivables

Finance lease

During the year ended 31 December 2020, the Group has sub-leased part of the premises that the Group leases in Australia as a lessee and this arrangement was classified as finance lease with reference to the terms of the head lease.

The Group recognised interest income on lease receivables of HK$143,000 (2019: HK$170,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the end of reporting period:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Within 1 year	**2,378**	4,542
After 1 year but within 2 years	**1,498**	5,912
After 2 years but within 3 years	**1,557**	5,962
After 3 years but within 4 years	**132**	6,108
After 4 years but within 5 years	**–**	378
Total undiscounted lease receivables	**5,565**	22,902
Unearned interest income	**(221)**	(1,461)
Present value of lease receivables	**5,344**	21,441

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Analysed as:		
Non-current	**3,083**	17,500
Current	**2,261**	3,941
	5,344	21,441

The significant changes in the carrying amount of finance lease receivables of AU$2,699,000 (equivalent to approximately HK$16,116,000) is due to the lessee, CSE, became subsidiary of the Group during the year ended 31 December 2020.

Interest rate implicit in the above finance leases is 3.1% (2019: 3.1%).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

34. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Total minimum lease payments:		
Due within one year	**81,345**	48,894
Due in the second to fifth years	**118,684**	105,045
Due after the fifth year	**10,014**	10,761
	210,043	164,700
Future finance charges on lease liabilities	**(12,824)**	(11,870)
Present value of lease liabilities	**197,219**	152,830

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Present value of minimum lease payments:		
Due within one year	**75,897**	44,585
Due in the second to fifth years	**111,568**	97,967
Due after the fifth year	**9,754**	10,278
	197,219	152,830
Less: Portion due within one year included under current liabilities	**(75,897)**	(44,585)
Portion due after one year included under non-current liabilities	**121,322**	108,245

As at 31 December 2020, lease liabilities amounting to HK$197,219,000 (2019: HK$152,830,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2020, the total cash outflows for the leases are HK$36,920,000 (2019: HK$41,055,000).

34. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Extension options

(i) Properties leased for own use

The Group has obtained the right to use other properties as its dance centres, kindergartens, colleges and offices through tenancy agreements. The leases typically run for an initial period of 2 to 9 years (2019: 2 to 9 years). Several lease arrangements include variable lease component which is based on receipt of turnover, in which one of them incurred variable lease payment during the years ended 31 December 2020 and 2019.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments as at 31 December 2020 and 2019 are summarised below:

	As at 31 December 2020		As at 31 December 2019	
	Lease liabilities recognised (discounted) HK$'000	**Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK$'000**	Lease liabilities recognised (discounted) HK$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK$'000
Dance centres – Hong Kong	**32,285**	**18,187**	28,937	11,707
Kindergartens – Singapore	**64,836**	**–**	27,781	14,976
Kindergartens – Hong Kong	**21,831**	**7,493**	21,725	7,493
Colleges – Australia	**75,303**	**127,512**	72,390	116,833
Offices	**2,964**	**–**	1,997	–
Total lease liabilities	**197,219**	**153,192**	152,830	151,009

34. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Extension options (Continued)

(ii) Other leases

The Group leases office equipment under leases expiring in 5 years (2019: 5 years). Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

35. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	8,000,000	800,000
Issued:		
At 1 January 2019, 31 December 2019 and 1 January 2020	354,100	35,410
Issue of consideration shares on 8 May 2020 (note a)	4,000	400
Issue of consideration shares on 22 December 2020 (note b)	26,500	2,650
At 31 December 2020	384,600	38,460

35. SHARE CAPITAL (CONTINUED)

Notes:

(a) On 8 May 2020, the Company issued 4,000,000 ordinary shares as share consideration for the acquisition of Mutual Bright and Well Team as stated in note 38(ii)(f). The fair value of each share was HK$1.28 on 8 May 2020.

(b) On 22 December 2020, the Company issued 26,500,000 ordinary shares as share consideration for settlement of consideration payable on the acquisition of Global Win Group (note 30). The fair value of each share was HK$2.41 on 22 December 2020.

The share capital of the Company comprises of fully paid ordinary shares. All fully paid ordinary shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

36. DEFERRED TAX

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	Accelerated accounting depreciation HK$'000	Intangible assets HK$'000	Total HK$'000
At 1 January 2019	331	(2,306)	(1,975)
Exchange realignment	–	(8)	(8)
Credited to profit or loss for the year (Note 9)	26	238	264
Acquisitions of subsidiaries and businesses (Note 38)	–	(125)	(125)
At 31 December 2019 and 1 January 2020	357	(2,201)	(1,844)
Exchange realignment	–	(232)	(232)
Credited to profit or loss for the year (Note 9)	(314)	909	595
Acquisitions of subsidiaries and businesses (Note 38)	–	(5,183)	(5,183)
At 31 December 2020	43	(6,707)	(6,664)

36. DEFERRED TAX (CONTINUED)

The amounts recognised in the consolidated statement of financial position are as follows:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Deferred tax assets	**43**	357
Deferred tax liabilities	**(6,707)**	(2,201)
Net deferred tax liabilities	**(6,664)**	(1,844)

The Group has unrecognised tax losses of HK$196,671,000 (2019: HK$107,530,000) to carry forward against future taxable income. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$11,083,000 (2019: HK$13,008,000) that will expire in five years from the year of origin. All other tax losses may be carried forward indefinitely.

At 31 December 2020, the Group has deductible temporary differences of HK$22,497,000 (2019: HK$20,230,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

37. SHARE-BASED EMPLOYEE COMPENSATION

The Company has a share option scheme (the "**Share Option Scheme**") which was adopted pursuant to a resolution passed on 26 September 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible persons to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company or to customers for maintaining business relationship. The Share Option Scheme is valid and effective for a period of 10 years from the date of adoption.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

37. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

During the year ended 31 December 2020, a total of 8,680,000 share options have been granted pursuant to the Share Option Scheme (2019: 35,410,000).

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
Options granted on 4 October 2019		
– directors	14,164,000	These options vested immediately and exercisable within three years from the date of grant.
– employees (Note)	10,623,000	
Options granted on 11 October 2019		
– consultants	10,623,000	These options vested immediately and exercisable within one year from the date of grant.
Options granted on 11 February 2020		
– business partner and consultants	3,100,000	These options will be vested on the first anniversary of the date of grant and exercisable within one year from such anniversary date.
– employees	3,280,000	The options will be vested on 1 January 2023 and exercisable from 1 January 2023 to 24 February 2023 (both day inclusive). The vesting of these options is subject to the fulfilment of certain annual performance targets as determined by the Board for the year ending 31 December 2022.
Options granted on 25 February 2020		
– consultants	2,000,000	The options will be vested on 1 January 2023 and exercisable from 1 January 2023 to 24 February 2023 (both day inclusive). The vesting of the options is subject to the fulfilment of certain annual performance targets as determined by the Board for the year ending 31 December 2022.
– employees	300,000	
Total share options granted	44,090,000	

Note: Included 3,541,000 shares options granted to Ms. Chiu Ka Wai, an associate of the Controlling Shareholder.

37. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2020		2019	
	Number	**Weighted average exercise price HK$**	Number	Weighted average exercise price HK$
Outstanding at 1 January	**35,410,000**	**1.07**	–	–
Granted	**8,680,000**	**1.26**	35,410,000	1.07
Forfeited	**(800,000)**	**1.20**	–	–
Lapsed	**(10,623,000)**	**1.00**	–	–
Outstanding at 31 December	**32,667,000**	**1.14**	35,410,000	1.07
Exercisable at 31 December	**24,787,000**	**1.10**	35,410,000	1.07

No share options were exercised during the years ended 31 December 2020 and 2019.

The options outstanding at 31 December 2020 had an exercise price of HK$1.1 to HK$1.44 (2019: HK$1.0 to HK$1.1) and a weighted average remaining contractual life of 1.75 years (2019: 2.16 years).

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of options granted were determined using binomial option pricing model. The contractual life of the share option is used as an input into this model.

37. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Fair value of share options and assumptions (Continued)

The following principal assumptions were used in the valuation:

	2020		2019	
Grant date	**11 February**	**25 February**	4 October	11 October
Share price at date of grant	**HK$1.19**	**HK$1.44**	HK$0.95	HK$0.94
Expected volatility	**67.022% – 67.789%**	**68.260%**	55.541%	28.493%
Expected option life	**2 – 3 years**	**2 – 3 years**	3 years	1 year
Dividend yield	**0%**	**0%**	0%	0%
Risk-free interest rate (based on Hong Kong Government bonds yield)	**1.368% – 1.455%**	**1.240%**	1.498%	1.498%
*Suboptimal factor**	**2.2**	**2.2**	N/A	N/A
Fair value at grant date	**HK$0.441 – 0.537**	**HK$0.656**	HK$0.31	HK$0.09
Exercise price at date of grant	**HK$1.20**	**HK$1.44**	HK$1.10	HK$1.00

* Suboptimal factor is not applicable for external parties (i.e. business partners and consultants). Employee's suboptimal factor is estimated by empirical research.

The underlying expected volatility was determined by reference to historical data, calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility based on publicly available information. Expectations of early exercise are incorporated into the binomial lattice model. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

In total, HK$2,209,000 of expense has been recognised in profit or loss for the year ended 31 December 2020 (2019: HK$8,647,000) and the corresponding amount of which has been credited to "Share option reserve". No liabilities were recognised due to share-based payment transactions.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

For the year ended 31 December 2020, the Group had several acquisitions due to business expansion, in acquiring a controlling stake in certain companies for total consideration of approximately HK$98,343,000 (2019: HK$26,571,000). For the companies set out in note (i) below, these acquirees are in the stage with relevant economic resources as at the date of the respective acquisitions which are considered as businesses. Therefore, those acquisitions are considered as business combinations under HKFRS 3 and accounted for using acquisition method. For the other acquisitions as mentioned in note (ii) below are the companies did not have any substantial economic resources and processes for creating economic benefits; accordingly, the Group considers the nature of these acquisitions as acquisitions of assets in substance.

There is no asset acquisition during the year ended 31 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020

(i) Business combination

	Notes	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration HK$'000
Business assets of Moriah Schoolhouse LLP and Moriah Schoolhouse @ FV LLP (collectively referred to as the "**Moriah Group**")	(a)	Operation of pre-school in Singapore	1 January 2020	N/A	7,531
Childrens Services Education Pty Ltd ("**CSE**")	(b)	Provision of educational services in Australia	1 January 2020	100%	14,367
Business assets of Ichiban (Noble) Childcare Pte. Ltd and Ichiban (Yunnan) Childcare Centre (collectively referred to as the "**Ichiban Entities**")	(c)	Operation of pre-school in Singapore	1 April 2020	N/A	3,737
Business assets of Global Tots Group	(d)	Operation of pre-school in Singapore	20 April 2020	100%	43,693
					69,328

Notes:

(a) Pursuant to a sale and purchase agreement dated 30 September 2019, the Group acquired all business assets of Moriah Group at total cash consideration of S$1,300,000 (equivalent to approximately HK$7,531,000).

(b) Pursuant to CSE S&P Agreements, the Group acquired the entire equity interest of CSE at consideration of AU$2,628,000 (equivalent to approximately HK$14,367,000). AU$1,129,000 (equivalent to approximately HK$6,172,000) out of the total shall be settled by ten equal instilments.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(i) Business combination (Continued)

Notes: (Continued)

(c) Pursuant to the Ichiban S&P Agreements, the Group acquired the business of the Ichiban Entities at cash consideration of S$692,000 (equivalent to approximately HK$3,737,000).

(d) Pursuant to Global Tots S&P Agreements, the Group acquired Global Tots Group in full for maximum aggregate consideration of S$8,017,000 (equivalent to approximately HK$43,693,000). The Global Tots Group involves in operation of pre-schools including, but not limited to, developing and running educational and enrichment programmes to infant and children.

Acquisition-related costs amounting to HK$1,370,000 (Moriah Group: HK$90,000; CSE: HK$450,000; Ichiban Entities: HK$42,000; Global Tots Group: HK$788,000) have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(i) Business combination (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	Moriah Group HK$'000	CSE HK$'000	Ichiban Entities HK$'000	Global Tots Group HK$'000	Total HK$'000
Cash and cash equivalents	–	1,640	–	3,491	5,131
Property, plant and equipment (Note 16(a))	309	1,334	270	1,239	3,152
Right-of-use assets (Note 16(b))	6,090	16,116	2,751	10,967	35,924
Intangible assets (Note 18)	2,097	–	918	17,233	20,248
Trade and other receivables	–	19,882	–	1,219	21,101
Trade and other payables	–	(6,907)	–	(2,824)	(9,731)
Deferred income	–	(14,684)	–	–	(14,684)
Lease liabilities (Note 43)	(6,090)	(16,116)	(2,751)	(11,183)	(36,140)
Provisions (Note 31)	(309)	(1,045)	(270)	(760)	(2,384)
Deferred tax liabilities (Note 36)	(359)	–	(157)	(2,930)	(3,446)
	1,738	220	761	16,452	19,171

The trade and other receivables acquired in these transactions with aggregated fair value and gross contractual amounts of HK$21,101,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected are insignificant.

Goodwill arising on acquisition

	Moriah Group HK$'000	CSE HK$'000	Ichiban Entities HK$'000	Global Tots Group HK$'000	Total HK$'000
Consideration	7,531	14,367	3,737	43,693	69,328
Fair value of identifiable net assets/liabilities acquired	(1,738)	(220)	(761)	(16,452)	(19,171)
Goodwill arising on acquisition	5,793	14,147	2,976	27,241	50,157

Goodwill arose in the acquisition as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(i) Business combination (Continued)

Net cash outflow on acquisitions of subsidiaries and businesses

	Moriah Group HK$'000	CSE HK$'000	Ichiban Entities HK$'000	Global Tots Group HK$'000	Total HK$'000
Consideration	7,531	14,367	3,737	43,693	69,328
Deposits paid for acquisition	(3,765)	(6,033)	(230)	(2,180)	(12,208)
Consideration payable to the vendor	–	(6,172)	(497)	(18,917)	(25,586)
Cash and cash equivalent acquired	–	(1,640)	–	(3,491)	(5,131)
	3,766	522	3,010	19,105	26,403

Impact of acquisitions on the results of the Group

Included in the loss for the year ended is loss of HK$11,083,000 attributable to the entities acquired (Moriah Group: profit of HK$1,890,000; CSE: loss of HK$19,518,000; Ichiban Entities: profit of HK$1,126,000; Global Tots Group: profit of HK$5,419,000). Revenue for the year includes HK$42,127,000 in respect of the entities acquired (Moriah Group: HK$8,324,000; CSE: HK$10,773,000; Ichiban Entities: HK$4,622,000; Global Tots Group: HK$18,408,000).

If the above acquisitions had occurred on 1 January 2020, the Group's revenue would have been HK$167,039,000 and loss for the year would have been HK$264,002,000 for the year ended 31 December 2020. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

(ii) Assets acquisition

	Notes	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred HK$'000
SF Kids Global Pte Limited ("SF Kids")	(e)	Education management	27 November 2020	60%	23,015
Well Team	(f)	Jazz and ballet academy	14 May 2020	50%	2,000
Business assets of Mutual Bright	(f)	Jazz and ballet academy	14 May 2020	N/A	4,000
					29,015

(e) Pursuant to the sale and purchase agreement dated 27 November 2020 entered into by a wholly owned subsidiary of the Company and the holding company of an associate, the Group acquired 60% of equity interest of SF Kids for a total cash consideration of S$4,000,000 (equivalent to approximately HK$23,015,000).

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(ii) Assets acquisition (Continued)

(f) On 17 April 2020, SDM Management Limited, Mutual Bright, a joint venture, Mr. Hung (a shareholder of Mutual Bright), SDM Academie Limited and the Company entered into a sale and purchase agreement under which, among other things: (i) SDM Management Limited shall dispose of its 50% equity interest in Mutual Bright to Mr. Hung for consideration of HK$1.00; (ii) SDM Academie Limited shall acquire the dancing assets of Mutual Bright for HK$4,000,000 as the second consideration; and (iii) SDM Management Limited shall acquire additional 50% equity interest in Well Team, joint venture, for HK$2,000,000 as the third consideration. The aggregation of the Second Consideration and the Third Consideration of HK$6,000,000 have been settled and discharged by the Company's allotment and issuance of 4,000,000 consideration shares by the Company under the general mandate granted by the Shareholders on 6 May 2019 at the issue price of HK$1.50 per consideration share (note 35).

	SF Kids HK'000	Well Team and Mutual Bright HK'000	Total HK'000
Assets and liabilities recognised at the date of acquisition			
Cash and cash equivalents	932	586	1,518
Property, plant and equipment (Note 16(a))	–	348	348
Right-of-use assets (Note 16(b))	–	3,674	3,674
Intangible assets (Note 18)	37,948	10,530	48,478
Trade and other receivables	22	13,795	13,817
Trade and other payables	(544)	(12,029)	(12,573)
Deferred income	–	(5,493)	(5,493)
Lease liabilities (Note 43)	–	(3,674)	(3,674)
Deferred tax liabilities (Note 36)	–	(1,737)	(1,737)
Total identifiable net assets acquired	38,358	6,000	44,358
Non-controlling interests	(15,343)	–	(15,343)
Consideration	23,015	6,000	29,015
Net cash inflow on acquisitions of subsidiaries and business assets			
Consideration	23,015	6,000	29,015
Deposits paid for acquisition	(23,015)	–	(23,015)
Shares issued to the vendor	–	(6,000)	(6,000)
Cash and cash equivalents	(932)	(586)	(1,518)
	(932)	(586)	(1,518)

The Group measured the non-controlling interests (40%) in SF Kids at their proportionate share of these subsidiaries' net identifiable assets for the acquisitions during the year.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2019

(i) Business combination

	Notes	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred HK'000
Business assets of Happy Family Child Care Centre Pte Ltd. (the "**Happy Family Vendors**") (the "**Happy Family Businesses**")	(g)	Operating and managing the childcare centres in Singapore	1 January 2019	N/A	7,103
Tinytots Sports Pte Ltd. ("**Tinytots Sports**")	(h)	Provision of sports training courses and programmes for preschool and kindergarten and enrichment classes in Hong Kong	1 August 2019	60%	4,298
English Connection Learning Centre Limited ("**ECLC**")	(i)	Provision of nursery, kindergarten and enrichment classes in Hong Kong	31 July 2019	60%	3,000
Business assets of Brain Explorers Schoolhouse Pte. Ltd. ("**Brain Explorers Vendor**") ("**Brain Explorers Businesses**")	(j)	Operating and managing the childcare centres in Singapore	31 August 2019	N/A	2,653
Ability Education Pty Ltd ("**Ability Education**")	(k)	Provision of English language intensive course in Australia	30 September 2019	100%	9,517
					26,571

(g) Pursuant to the sale and purchase agreement dated 1 November 2018 entered into by a wholly owned subsidiary of the Company and Happy Family Vendors and the guarantors, the Group acquired certain assets relating to Happy Family Businesses for a total cash consideration of S$1,250,000 (equivalent to approximately HK$7,103,000).

(h) Pursuant to the sale and purchase agreement dated 1 August 2019 entered into by a wholly owned subsidiary of the Company and the vendor, the Group acquired 60% issued share capital of Tinytots Sports for a total cash consideration of S$753,000 (equivalent to approximately HK$4,298,000), including contingent consideration of HK$754,000, which the conditions were fulfilled.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2019 (Continued)

(i) Business combination (Continued)

Notes: (Continued)

(i) Pursuant to the sale and purchase agreement dated 1 June 2019 entered into by a wholly owned subsidiary of the Company and the vendor, the Group acquired 60% issued share capital of ECLC for a total cash consideration of HK$3,000,000 with a contingent consideration for future annual profit from 2019-2022 exceeding certain amount, the Group did not expect the profit targets will be met.

(j) Pursuant to the sale and purchase agreement dated 11 June 2019 entered into by a wholly owned subsidiary of the Company and Brain Explorers Vendor, the Group acquired certain assets relating to Brain Explorers Businesses for a total cash consideration of S$470,000 (equivalent to approximately HK$2,653,000).

(k) Pursuant to the sale and purchase agreement dated 14 January 2019 entered into by a wholly owned subsidiary of the Company as purchaser, SDM Group Limited, a wholly owned subsidiary of the Company, as the original guarantor and the vendor, the Group acquired the entire issued share capital of Ability Education as at 30 September 2019 for a gross consideration of AU$4,560,000 (equivalent to approximately HK$25,992,000), adjusted by target working capital. On 29 March 2019, the guarantor was changed to the Company under a deed of variation signed between the Company, Australian Apex Education Pty Ltd, SDM Group Limited, the vendor and the stakeholder of the deposits.

Acquisition-related costs amounting to HK$5,718,000 (Happy Family Businesses: HK$431,000; Tinytots Sports: HK$105,000; ECLC: HK$86,000; Brain Explorers Businesses: HK$31,000; Ability Education: HK$5,065,000) have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2019 (Continued)

(i) Business combination (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	Happy Family Businesses (note) HK$'000	Tinytots Sports HK$'000	ECLC HK$'000	Brain Explorers Businesses (note) HK$'000	Ability Education HK$'000	Total HK$'000
Cash and cash equivalents	–	1,051	299	–	3,851	5,201
Property, plant and equipment (Note 16(a))	–	88	201	85	3,226	3,600
Right-of-use assets (Note 16(b))	–	–	21,910	–	68,832	90,742
Intangible assets (Note 18)	–	737	–	–	–	737
Lease receivables	–	–	–	–	5,034	5,034
Inventories	–	6	–	–	–	6
Trade and other receivables	–	16	538	–	14,671	15,225
Amount due from shareholder	–	–	4,728	–	–	4,728
Trade and other payables and accrued charges, and deferred income	–	(233)	(343)	–	(30,927)	(31,503)
Amount due to shareholder	–	(532)	–	–	–	(532)
Borrowings (Note 43)	–	–	(4,500)	–	–	(4,500)
Lease liabilities (Note 43)	–	–	(21,910)	–	(73,866)	(95,776)
Provisions (Note 31)	–	–	–	–	(1,526)	(1,526)
Deferred tax liabilities (Note 36)	–	(125)	–	–	–	(125)
	–	1,008	923	85	(10,705)	(8,689)

Note: Pursuant to the sales and purchase agreements, the pre-acquisition assets and liabilities would belong or bear by the vendors.

The trade and other receivables, amount due from shareholder and lease receivables acquired in these transactions with aggregated fair value and gross contractual amounts of HK$15,225,000, HK$4,728,000 and HK$5,034,000, respectively. The best estimate at acquisition date of the contractual cash flows not expected to be collected are insignificant.

Goodwill arising on acquisition

	Happy Family Businesses HK$'000	Tinytots Sports HK$'000	ECLC HK$'000	Brain Explorers Businesses HK$'000	Ability Education HK$'000	Total HK$'000
Consideration transferred	7,103	4,298	3,000	2,653	9,517	26,571
Non-controlling interest	–	403	369	–	–	772
Fair value of identifiable net (assets) liabilities acquired	–	(1,008)	(923)	(85)	10,705	8,689
Goodwill arising on acquisition	7,103	3,693	2,446	2,568	20,222	36,032

38. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2019 (Continued)

(i) Business combination (Continued)

Goodwill arising on acquisition (Continued)

Goodwill arose in the acquisition as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group measured the non-controlling interests (40%) in Tinytots Sports and ECLC at their proportionate share of these subsidiaries' net identifiable assets for the acquisitions during the year.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions of subsidiaries and businesses

	Happy Family Businesses HK$'000	Tinytots Sports HK$'000	ECLC HK$'000	Brain Explorers Businesses HK$'000	Ability Education HK$'000	Total HK$'000
Consideration paid in cash	7,103	4,298	3,000	2,653	9,517	26,571
Deposits paid for acquisition	(3,593)	–	–	–	(546)	(4,139)
Consideration payable to the vendor	–	(736)	–	–	–	(736)
Cash and cash equivalent acquired	–	(1,051)	(299)	–	(3,851)	(5,201)
	3,510	2,511	2,701	2,653	5,120	16,495

Impact of acquisitions on the results of the Group

Included in the loss for the year ended is HK$8,362,000 attributable to the entities acquired (Happy Family Businesses: HK$926,000; Tinytots Sports: HK$549,000; ECLC: HK$$2,790,000; Brain Explorers Businesses: HK$93,000; Ability Education: HK$4,004,000). Revenue for the year includes HK$24,006,000 in respect of the entities acquired (Happy Family Businesses: HK$5,874,000; Tinytots Sports: HK$1,548,000; ECLC: HK$796,000; Brain Explorers Businesses: HK$602,000; Ability Education: HK$15,186,000).

If the above acquisitions had occurred on 1 January 2019, the Group's revenue would have been HK$186,234,000 and loss for the year would have been HK$120,128,000 for the year ended 31 December 2019. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

39. PLEDGE OF ASSETS

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Financial investments	–	4,052
Time deposits	**10,703**	9,835

The financial investments of HK$nil (2019: HK$4,052,000) were pledged to a securities margin loan received from a stock broking house with the related terms and conditions disclosed in Note 27.

The time deposits of HK$10,703,000 (2019: HK$9,835,000) were pledged to secure guarantees by banks issued to the landlords of properties leased by the Group for own use.

In addition, the entire equity interests in SDM Asia Limited and SAEL held by the Group were pledged as securities under the convertible notes (see Note 32(c)).

40. COMMITMENTS

(i) The Group has commitment to contribute a registered capital of RMB3,000,000 (2019: RMB3,000,000) to Guangzhou Delilong and a subsidiary, 廣州樂動心弦文化發展有限公司 ("廣州樂動心弦"), as at 31 December 2020.

(ii) Pursuant to the sale and purchase agreement dated 27 October 2020, the Group has committed to acquire the business assets of Cherie Hearts @ Eastgate Pte Ltd. in Singapore at a maximum aggregate consideration of S$1,200,000 (equivalent to approximately HK$7,044,000). Up to 31 December 2020, the Group has paid S$400,000 (equivalent to approximately HK$2,348,000) to the vendor. The acquisition of the assets of Cherie Hearts @ Eastgate Pte Ltd. was completed on 1 January 2021.

(iii) Pursuant the memorandum of understanding with certain target companies, the Group has committed to acquire the entire equity interest of certain companies incorporated in Singapore at a maximum aggregate consideration of S$7,200,000 (equivalent to approximately HK$42,264,000). Up to 31 December 2020, the Group has paid S$250,000 (2019: S$250,000) (equivalent to approximately HK$1,467,500 (2019: HK$1,448,000)) to the vendors.

(iv) The Group has entered into a sale and purchase agreement and has committed to acquire the entire interest of Dawnwood Education Group Limited in Hong Kong at a maximum aggregate consideration of HK$48,000,000 which shall be satisfied by 21,334,000 new shares of the Company.

41. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings (which includes borrowings (note 32) and lease liabilities) less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The directors of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raising of borrowings to maintain sufficient cash for acquisitions and daily operations. As at 31 December 2020, the "total capital", representing the aggregate amount of total capital deficiency, consideration payables (note 30), corporate bonds (note 32(b)) and convertible notes (note 32(c)), of the Group is HK$162,968,000 (2019: HK$269,757,000).

The net debt to equity ratio at the reporting date was:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Borrowings		
Current	**93,985**	76,454
Non-current	**248,040**	204,466
Lease liabilities		
Current	**75,897**	44,585
Non-current	**121,322**	108,245
Net debt	**539,244**	433,750
Total capital	**162,968**	269,757
Net debt to capital ratio	**3.31**	1.61

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

42.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Financial assets		
Financial assets at amortised cost		
– lease receivables	**5,344**	21,441
– trade and other receivables	**58,349**	35,097
– loans to joint ventures	**952**	2,307
– amount due from related parties	**8,866**	7,705
– amount due from non-controlling shareholders of subsidiaries	**2,184**	4,528
– pledged time deposits	**10,703**	9,835
– cash and cash equivalents	**38,458**	66,388
Financial assets at FVTPL		
– listed equity securities/fund	**–**	19,616
– equity linked note	**–**	2,586
Financial assets at FVTOCI (recycling)		
– debt securities	**–**	27,422
	124,856	196,925
Financial liabilities		
Financial liabilities at amortised cost		
– trade and other payable	**35,127**	31,883
– amounts due to related parties	**3,429**	1,220
– amounts due to non-controlling shareholders of subsidiaries	**224**	116
– bank and other borrowings	**2,342**	5,454
– consideration payables	**25,542**	–
– corporate bonds	**50,000**	71,000
– lease liabilities	**197,219**	152,830
– obligation arising from put options written to non-controlling shareholders of a subsidiary	**–**	9,459
Financial liabilities at FVTPL		
– convertible notes	**289,683**	204,466
	603,566	476,428

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in US$, RMB, S$ and AU$. These are not the functional currencies of the group entities to which these transactions relate. The Group also holds investments in debt and equity securities denominated in foreign currencies. Further the Group has borrowings denominated in foreign currencies, primarily US$.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	Exposure to foreign currencies (expressed in Hong Kong dollars) 2020			
	US$ HK$'000	**RMB HK$'000**	**S$ HK$'000**	**AU$ HK$'000**
Bank balances and cash	**13**	**385**	**6,986**	**40**
Amounts due from related parties	**–**	**49**	**–**	**–**
Convertible notes	**(289,683)**	**–**	**–**	**–**
Net exposure arising from recognised assets and (liabilities)	**(289,670)**	**434**	**6,986**	**40**

	Exposure to foreign currencies (expressed in Hong Kong dollars) 2019			
	US$ HK$'000	RMB HK$'000	S$ HK$'000	AU$ HK$'000
Trade and other receivables	398	–	306	–
Bank balances and cash	3,534	201	21	10
Financial investments	30,492	–	5,493	–
Amounts due from related parties	–	49	–	–
Trade and other payables	(7,800)	–	(109)	–
Convertible notes	(204,466)	–	–	–
Net exposure arising from recognised assets and (liabilities)	(177,842)	250	5,711	10

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.2 Foreign currency risk (Continued)

The Group is mainly exposed to the effects of fluctuation in RMB, S$ and AU$.

Management considers the foreign exchange exposure of US$ against Hong Kong dollars at the end of the reporting period. As the Hong Kong dollars is currently pegged to US$, no significant fluctuation is anticipated. Accordingly, no sensitivity analysis is prepared.

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB, S$ and AU$. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss HK$'000	Decrease in equity HK$'000
2020			
RMB	**5%**	**22**	**22**
S$	**5%**	**349**	**349**
AU$	**5%**	**2**	**2**
2019			
RMB	5%	13	13
S$	5%	286	286
AU$	5%	–	–

The same % depreciation in the group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss for the year and equity but of opposite effect.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

42.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank and other borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the directors of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.3 Interest rate risk (Continued)

For the obligation arising from put options written to non-controlling shareholders of a subsidiary (Note 33), which will be settled by a variable amount subject to a cap, results in a gross financial liabilities. Therefore, the "gross" financial liabilities are deemed borrowings. The Group has not managed the interest rate risk of the deemed borrowings in the same way as the other borrowings.

In the opinion of the directors of the Group, a reasonably possible change in interest rate on bank balances is not expected to have significant impact to the Group in the near future, hence sensitivity analysis is not presented.

The Group manages interest rate risk by monitoring its interest rate profile as set out below. The Group adopts a policy of ensuring that over 50% of its borrowings are on a fixed rate basis, through the contractual terms of the borrowings. The Group is exposed to changes in market interest rates on its bank borrowings, which are at variable rates. Other long term borrowings are at fixed interest rates.

The effective interest rates of the Group's borrowings at the reporting date were as follows:

	As at 31 December 2020		As at 31 December 2019	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Variable rate borrowings:				
– Bank borrowings	**2-6**	**2,342**	4-6	4,815
– Margin loans	**–**	**–**	6	639
		2,342		5,454
Fixed rate borrowings:				
– Corporate bonds	**10**	**50,000**	7.5	71,000
– Convertible notes	**8**	**289,683**	8	204,466
– Lease liabilities	**3-5**	**197,219**	3-5	152,830
		536,902		428,296
Total borrowings		**539,244**		433,750
Fixed rate borrowings as percentage of total borrowings		**99.6%**		98.7%

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.3 Interest rate risk (Continued)

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity to a possible change in interest rates with effect from the beginning of the year. This sensitivity analysis is provided internally to key management personnel.

	2020		2019	
	Increase/ (Decrease) in loss HK$'000	**Increase/ (Decrease) in equity HK$'000**	Increase/ (Decrease) in loss HK$'000	Increase/ (Decrease) in equity HK$'000
Interest rate:				
Increase by 50 basis point	**12**	**(12)**	27	(27)
Decrease by 50 basis point	**(12)**	**12**	(27)	27

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis included in the consolidated financial statements of the year ended 31 December 2020 has been prepared on the same basis.

42.4 Other price risks

Other price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates). As at 31 December 2019, the Group is exposed to change in market prices in respect of its investments in listed equity and debt securities classified as financial assets at FVOCI (recycling) and financial assets at FVTPL respectively.

To manage its market price risk arising from these investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board of directors.

The following table demonstrates the sensitivity to every 5% change in the fair values of relevant financial investments to which the Group has significant exposure as at 31 December 2019, taking into account the Deed of Indemnity as disclosed in Note 27, with all other variables held constant and before any impact on tax. Except the debt securities which the changes in fair value would impact the fair value reserve, all of the changes in fair value on the remaining investments would have impact on accumulated losses.

As at 31 December 2020, the Group has no such exposure since all the above-mentioned investments were disposed during the year.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.4 Other price risks (Continued)

As at 31 December 2019, the maximum risk resulting from these investments equals their fair value.

	Carrying amount on investments HK$'000	Change in loss before tax HK$'000	Change in other comprehensive income HK$'000
Exchange-traded fund listed in the United States	484	24	–
Equity securities listed in Hong Kong	13,639	432	–
Equity securities/funds listed in Singapore	5,493	275	–
Debt securities	27,422	–	1,371
Structured products	2,586	129	–
	49,624	860	1,371

42.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2020 and 2019 is the carrying amount as disclosed in note 42.1.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.5 Credit risk (Continued)

Trade receivables

(i) *Dancing academy business, early childhood education business and provision of photographic services business*

Trade receivables from the third parties mainly represent receivables from students, schools and financial institutions in relation to the payments settled through 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 directors of the Company are of the opinion that the credit risks of the receivables from are minimal as there are from creditworthy students and financial institutions with no history of defaults. As such, the Group applies a simplified approach in calculating ECL at an amount equal to lifetime ECL.

(ii) *Adult education and training business*

Trade receivables from the third parties mainly represent receivables from students. Credit period is granted for tuition fee based on the number of instalments and enrolment period.

The directors of the Company are of the opinion that the credit risks of these receivables is not significant and ECL was measured at an amount equal to lifetime ECL for receivables from students.

(iii) *Provision of swallowing and speech treatment business*

Trade receivables from the third parties mainly represent receivables from schools. The directors of the Company are of the opinion that the credit risks of these receivables are minimal as there are from creditworthy schools with no history of defaults. The credit risk is insignificant. No impairment is made for these receivables.

On the above basis, the ECL for trade receivables as at 31 December 2020 was determined by applying the ECL rate ranging from 0% to 6.91% (2019: 0% to 7.6%). Accordingly, the loss allowance of HK$294,000 (2019: HK$400,000) is provided for trade receivables as at 31 December 2020.

The Group's concentration of credit risk by geographical locations is mainly in Singapore (2019: Australia), which accounted for 45.4% (2019: 36.3%) of the total trade receivables as at 31 December 2020.

Other receivables

The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

The management is of opinion that there is no significant increase in credit risk on other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.10 and, thus, ECL recognised is based on 12m ECL. The ECL rate applied for other receivables ranging from 0.11% to 6.91% (2019: 0.14% to 7.60%).

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.5 Credit risk (Continued)

Amounts due from related parties and non-controlling shareholders of subsidiaries

Details of the amounts due from related parties and non-controlling shareholders of subsidiaries are set out in Notes 25 and 26 respectively. At the end of the reporting period, the directors of the Company have assessed the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate and concluded that there has been no significant increase in credit risk since initial recognition of the amounts due from related parties and non-controlling shareholders of subsidiaries. Accordingly, the loss allowance for amounts due from related parties and non-controlling shareholders of subsidiaries is measured at an amount equals to 12m ECL.

The movement in the allowance for impairment in respect of amounts due from related parties and non-controlling shareholders of subsidiaries during the current year was as follows:

	Amounts due from related parties HK$'000	Amounts due from non-controlling shareholders of subsidiaries HK$'000
Balance at 1 January 2019	666	90
Net remeasurement of loss allowance	(586)	1,625
Written off	–	(1,500)
Balance at 31 December 2019 and 1 January 2020	80	215
Net remeasurement of loss allowance	579	(212)
Balance at 31 December 2020	659	3

Bank balances and pledged time deposits

The Group also has concentration of credit risk on bank balances and pledged time deposits which are deposited with banks with good reputation. The directors of the Company are of the opinion that the credit risks of these receivables are minimal as there are from creditworthy financial institutions with no history of defaults. The credit risk is insignificant. No impairment is made for these balances.

42.6 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.6 Liquidity risk (Continued)

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2020 and 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2020						
Financial liabilities						
Trade and other payables	35,127	–	–	–	35,127	35,127
Amounts due to related parties and non-controlling shareholders of subsidiaries	3,653	–	–	–	3,653	3,653
Bank and other borrowings (note)	2,342	–	–	–	2,342	2,342
Lease liabilities	81,345	51,894	66,790	10,014	210,043	197,219
Corporate bonds	50,000	–	–	–	50,000	50,000
Convertible notes	45,211	–	268,795	–	314,006	289,683
Consideration payables	25,542	–	–	–	25,542	25,542
	243,220	51,894	335,585	10,014	640,713	603,566

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.6 Liquidity risk (Continued)

	Within 1 year or on demand HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amounts HK$'000
2019						
Financial liabilities						
Trade and other payables	31,883	–	–	–	31,883	31,883
Amounts due to related parties and non-controlling shareholders of subsidiaries	1,336	–	–	–	1,336	1,336
Bank and other borrowings (note)	5,454	–	–	–	5,454	5,454
Lease liabilities	48,894	41,546	63,499	10,761	164,700	152,830
Corporate bonds	71,000	–	–	–	71,000	71,000
Convertible note	–	–	270,102	–	270,102	204,466
Obligation arising from put options written to non-controlling shareholders of a subsidiary	–	–	12,250	–	12,250	9,459
	158,567	41,546	345,851	10,761	556,725	476,428

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.6 Liquidity risk (Continued)

Note: Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2020, the aggregate undiscounted principal amounts of these bank loans amounted to HK$2,342,000 (2019: HK$5,454,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within one (2019: one to two) years after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts HK$'000
2020	**2,342**	**–**	**–**	**2,342**	**2,342**
2019	5,371	97	–	5,468	5,454

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

42.7 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.7 Fair value measurements of financial instruments (Continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Note	As at 31 December 2020 Level 1 HK$'000	 Level 2 HK$'000	 Level 3 HK$'000	 Total HK$'000
Financial liabilities					
Convertible notes	(a)	–	–	**289,683**	**289,683**
Total fair values		–	–	**289,683**	**289,683**
Net fair values		–	–	**(289,683)**	**(289,683)**

	Note	As at 31 December 2019 Level 1 HK$'000	 Level 2 HK$'000	 Level 3 HK$'000	 Total HK$'000
Financial assets					
Financial assets at FVTPL					
Listed equity securities/fund		19,616	–	–	19,616
Equity linked note	(b)	–	2,586	–	2,586
Financial assets at FVOCI (recycling)					
Debit securities		27,422	–	–	27,422
Total fair values		47,038	2,586	–	49,624
Financial liabilities					
Convertible notes	(a)	–	–	204,466	204,466
Total fair values		–	–	204,466	204,466
Net fair values		47,038	2,586	(204,466)	(154,842)

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2020 (2019: Nil).

42. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

42.7 Fair value measurements of financial instruments (Continued)

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged compared to the previous reporting periods and are described below. The Group engages third party qualified valuers to perform the sensitivities as below.

(a) (i) For the convertible notes issued by SDM Asia Limited

As at 31 December 2020, the fair value of the Singapore Convertible Note was measured with reference to the enterprise value of SDM Asia Limited. The significant unobservable inputs used are the discount rate of 14% (2019: 14%) and long-term growth rate of 3% (2019: 3%) adopted in the enterprise valuation.

As at 31 December 2020, it is estimated that with all other variables held constant, an increase or a decrease in long-term growth rate by 0.5%, would have increased or decreased the Group's loss for the year by HK$3,492,000 (2019:HK$7,746,000) or HK$3,186,000 (2019:HK$7,069,000), respectively.

As at 31 December 2020, it is estimated that with all other variables held constant, an increase or a decrease in discount rate by 1%, would have decreased or increased the Group's loss for the year by HK$8,705,000 (2019:HK$18,852,000) or HK$10,449,000 (2019: HK$22,705,000), respectively.

(ii) For the convertible notes issued by SAEL

As at 31 December 2020, the fair value of the Australia Convertible Note was measured with reference to the enterprise value of SDM Australia Education Limited. The significant unobservable inputs used are the discount rate of 8.62% adopted in the enterprise valuation.

As at 31 December 2020, it is estimated that with all other variables held constant, the discount rate multiplied by 95% and 105%, would have increased or decreased the Group's loss for the year by HK$41,000 or HK$41,000, respectively.

(b) The fair value of equity linked notes was determined with reference to expected proceeds be received from disposal of the underlying securities.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	2020 HK$'000	2019 HK$'000
As at 1 January	**204,466**	–
Proceeds arising from issue of convertible notes, net of transaction costs	**39,000**	195,400
Fair value changes	**47,464**	9,636
Exchange difference	**(1,247)**	(570)
As at 31 December	**289,683**	204,466

There have been no transfers into or out of Level 3 during the year ended 31 December 2020 (2019: Nil).

Fair value charges on convertible notes are recognised in profit or loss and as a separate item in profit or loss.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Amounts due to related parties HK$'000	Amounts due to non-controlling shareholders of subsidiaries HK$'000	Obligation arising from put options written to non-controlling interest of a subsidiary HK$'000	Convertible Notes HK$'000	Corporate bonds HK$'000	Interest payable HK$'000	Bank and other borrowings (excluding bank overdrafts) HK$'000	Advance receipt of proceeds from a new convertible note to be issued HK$'000	Lease liabilities HK$'000 (Note)	Total HK$'000
At 1 January 2019	236	–	9,145	–	69,225	3,550	2,425	–	62,531	147,112
Acquisitions of subsidiaries (Note 38)	–	538	–	–	–	–	4,500	–	95,776	100,814
Net financing cash flows	984	(432)	–	195,400	–	(4,260)	(1,471)	7,800	(39,746)	158,275
Finance costs	–	–	314	–	1,775	4,260	–	–	3,654	10,003
Change in fair value	–	–	–	9,636	–	–	–	–	–	9,636
Increase in lease liabilities arising from entering into new leases during the year	–	–	–	–	–	–	–	–	27,465	27,465
Exchange difference	–	–	–	(570)	–	–	–	–	3,150	2,580
Capital contribution from non-controlling shareholders of a subsidiary	–	10	–	–	–	–	–	–	–	10
At 31 December 2019 and 1 January 2020	**1,220**	**116**	**9,459**	**204,466**	**71,000**	**3,550**	**5,454**	**7,800**	**152,830**	**455,895**
Acquisitions of subsidiaries and businesses (Note)	–	–	–	–	–	–	–	–	**23,698**	**23,698**
Net financing cash flows	**2,209**	**106**	–	**31,009**	**(21,100)**	**(6,697)**	**(2,473)**	–	**(36,193)**	**(33,139)**
Finance costs	–	–	**1,222**	–	**100**	**5,243**	–	–	**5,882**	**12,447**
Change in fair value	–	–	–	**47,464**	–	–	–	–	–	**47,464**
Gain on remeasurement	–	–	**(10,681)**	–	–	–	–	–	–	**(10,681)**
Increase in lease liabilities arising from entering into new leases and reassessment of lease options during the year	–	–	–	–	–	–	–	–	**55,007**	**55,007**
Exchange difference	–	**2**	–	**(1,012)**	–	–	–	**(44)**	**4,073**	**3,019**
Transfer of advance receipt of proceeds from the new convertible note	–	–	–	**7,756**	–	–	–	**(7,756)**	–	–
Loan offsetting with the investment portfolio	–	–	–	–	–	–	**(639)**	–	–	**(639)**
COVID-19 rent concession (Note 10)	–	–	–	–	–	–	–	–	**(8,078)**	**(8,078)**
At 31 December 2020	**3,429**	**224**	–	**289,683**	**50,000**	**2,096**	**2,342**	–	**197,219**	**544,993**

Note: Among HK$39,814,000 of lease liabilities acquired thought acquisitions of subsidiaries and businesses (note 38), HK$16,116,000 is payable to the Group as at acquisition date. Therefore, the net impact to the Group's lease liabilities is HK$23,698,000.

44. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties.

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Short-term lease income from related companies:		
– Rainbow	**922**	473
– Dunn's Education	**1,188**	1,480
– Sunshine Chinese Painting	**213**	226
– Red Vocal	**–**	405
	2,323	2,584

The above transactions constitute continuing connected transactions as defined in chapter 20 in accordance with the GEM Listing Rules. However, these transactions are exempt from the disclosure requirements as they are below the de minimis threshold.

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Management fee income received/receivable from:		
Joint ventures:		
– Mutual Bright	**–**	3,500
– Well Team	**–**	1,800
Shareholder of an associate	**–**	2,600
	–	7,900
Service fee income received/receivable from related companies:		
– Rain bow	**72**	–
– HKACD	**360**	–
– TIM EDPlatform	**600**	–
	1,032	–

As at 31 December 2020, bank borrowings of HK$95,000 (2019: HK$315,000) were guaranteed by Dr. Chun Chun and pledged by a property owned by Dr. Chun Chun. Dr. Chun Chun did not charge the Group for the guarantee provided and pledge of her property. In addition, the repayment of Group's corporate bonds were guaranteed by Wealthy Together.

Other than the transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

44. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration

Key management of the Group are members of the board of directors, as well as members of the "management board" of the parent company. Key management personnel remuneration includes the following expenses:

	Year ended 31 December 2020 HK$'000	Year ended 31 December 2019 HK$'000
Short-term benefits	**5,406**	13,965
Post employment benefits	**248**	115
Share-based payments	**749**	3,236
	6,403	17,316

As at 31 December 2020, the Group provided staff advance of HK$nil (2019: HK$368,000) to two members of key management. The advances are unsecured, interest bearing at 4.65% per annum, and repayable in 2020.

45. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2020 and 2019 are as follows:

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of owner ship interest held by the Company	Principal activities
Ability Education	Australia	Australia	Limited liability company	AU$1,115,000	100% (2019: 100%)	Provision of educational services
Brilliant Together Limited	BVI	Hong Kong	Limited liability company	US$1	100%# (2019: 100%#)	Investment holding
Between Two Trees Pte. Ltd.	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: 100%)	Holding licenses of a pre-school in Singapore
Cool Kids International Limited	Hong Kong	Hong Kong	Limited liability company	HK$10,000	75% (2019: 75%)	Pop dance academy
CSE	Australia	Australia	Limited liability company	AU$10	75% (2019: nil)	Provision of educational services
Dr. Code Limited ("Dr. Code") (Note c)	Hong Kong	Hong Kong	Limited liability company	HK$10,000	50% (2019: 50%)	Provision of enrichment courses

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of ownership interest held by the Company	Principal activities
ECLC (Note b)	Hong Kong	Hong Kong	Limited liability company	HK$21,290,000	28.54% (2019: 24%)	Provision of educational services
Fortune Apex Enterprises Limited	BVI	Hong Kong	Limited liability company	US$7,700,000	100%# (2019: 100%#)	Investment holding
Global Win	BVI	Hong Kong	Limited liability company	US$100	100%# (2019: 100%#)	Investment holding
Global Tots @ Braddell Pte. Ltd.	Singapore	Singapore	Limited liability company	S$60,000	100% (2019: nil)	Operation of a pre-school in Singapore
Global Tots @ Mountbatten Pte. Ltd.	Singapore	Singapore	Limited liability company	S$90,000	100% (2019: nil)	Operation of a pre-school in Singapore
Global Tots @ Sembawang Pte. Ltd.	Singapore	Singapore	Limited liability company	S$90,000	100% (2019: nil)	Operation of a pre-school in Singapore
Global Tots Pte. Ltd.	Singapore	Singapore	Limited liability company	S$1,200,000	100% (2019: nil)	Operation of a pre-school in Singapore
Hong Kong Speech	Hong Kong	Hong Kong	Limited liability company	HK$1,001,600	100% (2019: 100%)	Provision of Swallowing and speech treatments
Prism (Note b)	Hong Kong	Hong Kong	Limited liability company	HK$15,018,500	40% (2019: 40%)	Provision of educational services
SDM Chatsworth International Nursery Limited ("**SDM Chatsworth**")	Hong Kong	Hong Kong	Limited liability company	HK$125	80% (2019: 80%)	Investment holding
SDM Academie Limited	Hong Kong	Hong Kong	Limited liability company	HK$10,000	100% (2019: 100%)	Jazz and ballet academy
SDM Art Limited	BVI	Hong Kong	Limited liability company	US$50,000	100%# (2019: 100%#)	Investment holding
SAEL	BVI	Hong Kong	Limited liability company	US$100	100%# (2019: 100%#)	Investment holding

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of owner ship interest held by the Company	Principal activities
SDM Group Limited	Hong Kong	Hong Kong	Limited liability company	HK$10,000	100% (2019: 100%)	Provision of management services to group entities
SDM Jazz & Ballet Academie Co. Limited	Hong Kong	Hong Kong	Limited liability company	HK$100	100% (2019: 100%)	Provision of management services to group entities and joint ventures
SDM Management Limited	Hong Kong	Hong Kong	Limited liability company	HK$10,000	100% (2019: 100%)	Investment holding
Stage Production	Hong Kong	Hong Kong	Limited liability company	HK$100	100% (2019: 100%)	Provision of photographic services
SDM Asia Limited	BVI	Singapore	Limited liability company	US$100	100%# (2019: 100%#)	Investment holding
SDM Childcare Centre (Jurong East) Pte. Ltd.	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: 100%)	Operation of a pre-school in Singapore
SDM Childcare Centre (Clarke Quay) Pte. Ltd.	Singapore	Singapore	Limited liability company	S$500,000	100% (2019: 100%)	Operation of a pre-school in Singapore
SDM Childcare Centre Pte. Ltd.	Singapore	Singapore	Limited liability company	S$189,000	100% (2019: 100%)	Operation of pre-schools in Singapore
SDM Childcare Centre (Bartley) Pte. Ltd.	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: 100%)	Operation of a pre-school in Singapore
SDM International Pre-school Pte. Ltd.	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: 100%)	Operation of a pre-school in Singapore
SDM-Moriah Preschool (Flora Vista) Pte. Ltd. (formerly known as SDM Childcare Centre (Flora Vista) Pte. Ltd.)	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: nil)	Operation of a pre-school in Singapore

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of owner ship interest held by the Company	Principal activities
SDM-Moriah Preschool (Greenwich) Pte. Ltd. (formerly known as SDM Childcare Centre (Greenwich) Pte. Ltd.)	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: nil)	Operation of a pre-school in Singapore
SDM-Ichiban Preschool Pte. Ltd. (formerly known as SDM Childcare Pte. Ltd.)	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: nil)	Operation of a pre-school in Singapore
SF Kids	Singapore	Singapore	Limited liability company	S$1,000	100% (2019: nil)	Education management
Talent Enrichment Pte. Ltd.	Singapore	Singapore	Limited liability company	S$1	100% (2019: 100%)	Provision of enrichment Courses
Talent Creation Limited	Hong Kong	Hong Kong	Limited liability company	HK$10,000	100% (2019: 100%)	Provision of educational services
Tycoon Together Limited	BVI	Hong Kong	Limited liability company	US$1	100%# (2019: 100%#)	Investment holding
Tinkerland	Singapore	Singapore	Limited liability company	S$100,000	100% (2019: 100%)	Operation of a pre-school in Singapore
The Lighthouse Keepers Pte. Ltd.	Singapore	Singapore	Limited liability company	S$500,000	100% (2019: 100%)	Operation of a pre-school in Singapore
Tinytots Sports	Singapore	Singapore	Limited liability company	S$50,000	60% (2019: 60%)	Provision of enrichment courses
Well Team	Hong Kong	Hong Kong	Limited liability company	HK$2	100% (2019: 50%)	Jazz and ballet academy
廣州樂動心弦 (Note a)	Guangzhou	Guangzhou	Limited liability company	RMB3,000,000	100% (2019: 100%)	Jazz and ballet academy

Issued capital held directly by the Company.

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Notes:

(a) 廣州樂動心弦 is a wholly foreign owned subsidiary in the PRC. In addition, no registered capital was paid as of 31 December 2020. In accordance with the memorandum and articles of association of 廣州樂動心弦, the shareholder of 廣州樂動心弦 is required to pay the registered capital up to RMB3,000,000 before 14 September 2035.

(b) SDM Chatsworth held 60% voting power by virtue of the agreement with other investor and can exercise control over Prism accordingly. Prism held 71% (2019: 60%) voting power and can exercise control over ECLC accordingly.

(c) Despite the Group indirectly holds 50% of the effective equity interest of Dr. Code, the Group considers to exercise control over Dr. Code as the Group has ability to direct the relevant activities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Except for Prism which incurred obligation arising from put options written to non-controlling shareholders of a subsidiary and convertible notes issued by SDM Asia Limited and SAEL, none of the subsidiaries had issued any debt securities at the end of the reporting period.

The Group includes three (2019: two) subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows:

	SF Kids	**Prism**		**ECLC**	
	2020	**2020**	2019	**2020**	2019
	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Proportion of ownership interests and voting rights held by the NCI	**40%**	**60%**	60%	**71%**	76%
Current assets	**6,595**	**3,925**	6,120	**436**	5,478
Non-current assets	**38,539**	**4,500**	3,055	**3,104**	21,836
Current liabilities	**(1,296)**	**(18,831)**	(18,612)	**(9,817)**	(10,595)
Non-current liabilities	**–**	**(306)**	(9,765)	**(15,659)**	(18,587)
Net assets/(liabilities)	**43,838**	**(10,712)**	(19,202)	**(21,936)**	(1,868)
Carrying amount of NCI	**17,535**	**(6,562)**	(11,656)	**(13,237)**	79

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

	SF Kids	Prism		ECLC	
	For the period from 1 December 2020 to 31 December 2020 HK$'000	For the year ended 31 December 2020 HK$'000	For the year ended 31 December 2019 HK$'000	For the year ended 31 December 2020 HK$'000	For the period from 1 August 2019 to 31 December 2019 HK$'000
Revenue	114	243	3,357	2,389	796
Total expenses	(1,135)	(2,802)	(13,163)	(26,232)	(3,654)
Profit/(Loss) for the period/year	4,679	8,490	(9,534)	(21,569)	(2,790)
Other comprehensive income for the period/year	801	–	–	–	–
Profit/(loss) and total comprehensive income/(loss) for the period/year	5,480	8,490	(9,534)	(21,569)	(2,790)
Profit/(loss) attribute to NCI	1,872	5,094	(5,721)	(16,408)	(1,714)
Total comprehensive income/(loss) attributable to NCI	2,192	5,094	(5,721)	(16,408)	(1,714)
Dividend paid to NCI	–	–	–	–	–
Net cash flows (used in)/generated from operating activities	(488)	(777)	(1,784)	182	358
Net cash flows (used in)/generated from investing activities	–	(1,299)	(2,071)	2,665	(633)
Net cash flows generated from/(used in) financing activities	–	111	5,228	(3,149)	638
Net (decrease)/increase in cash and cash equivalents	(488)	(1,965)	1,373	(302)	363

45. INTERESTS IN SUBSIDIARIES (CONTINUED)

Changes in ownership interest in subsidiaries

During the year ended 31 December 2020, the Group has the following changes in ownership interest in subsidiaries:

On 23 June 2020, Prism, the subsidiary of the Group, entered to a loan agreement to grant a loan in the principal amount of HK$1,500,000 to ECLC with a maturity of four months. According to the agreements, the shareholders act as guarantors whom were jointly liable to repay the loan with interest. In the case, the guarantors fail to make the repayment, ECLC is required to issue 8,004,000 shares and allot to Prism. As at 31 December 2020, 8,004,000 shares are issued and allotted to Prism and therefore, the equity interest held by Prism has been increased to 71.36%. The transaction was considered as a deemed acquisition by the Group of its partial interest in ECLC and was regarded as an equity transaction and the carrying amount of the Group's additional interest in ECLC of approximately HK$3,092,000 was debited to equity as other reserve during the year ended 31 December 2020.

During the year ended 31 December 2019, the Group has the following changes in ownership interest in subsidiaries:

1. In 2019, the Group acquired additional 5% equity interest in Columbia Group, with a total cash consideration of S$114,000 (equivalent to approximately HK$651,000) under the sales and purchase agreement dated 29 June 2019 ("**Columbia S&P Agreement**") entered into by a wholly owned subsidiary of the Company and two independent third parties. The difference between the consideration paid and the carrying amount of the Group's additional interest in Columbia Group of HK$573,000 was debited to equity as other reserve during the year ended 31 December 2019.

2. In 2019, the Group acquired additional 10% equity interest in Tinkerland, with a total cash consideration of S$210,000 (equivalent to approximately HK$1,207,000) under the sales and purchase agreement dated 3 October 2019 entered into by a wholly owned subsidiary of the Company and two independent third parties. The difference between the consideration paid and the carrying amount of the Group's additional interest in Tinkerland of HK$1,042,000 was debited to equity as other reserve during the year ended 31 December 2019.

3. On 30 September 2019, the Group transferred its wholly owned subsidiary, SDM Development Limited ("**SDMD**"), which has 60% equity interest of ECLC, to Prism. The Group's effective interest over SDMD and ECLC was diluted by the non-controlling interests of Prism and SDM Chatsworth and reduced to 40% and 24% respectively. The transaction was considered as a deemed disposal by the Group of its partial interest in SDMD and was regarded as an equity transaction.

46. CONTINGENT ASSETS

During the year ended 31 December 2017, a subsidiary of the Group was sued for failure to deliver vacant possession of a premise, where the Company used to lease it for its dance centre, to the landlord which claimed against the Company for damages. During the current year, the landlord and the Group agreed to reduce the final settlement from HK$400,000 to HK$291,000 and deposit paid of HK$109,000 was refunded. The deposit paid are impaired in 2018, therefore the refund is recognised as other income in current year.

47. EVENTS AFTER THE REPORTING PERIOD

The Group has the following significant events after the reporting period:

1. On 15 December 2020, Brilliant Together Limited, Ace Concord Asia Limited ("**Ace**") and the Company entered into the sale and purchase agreement ("**Ace SPA**"), pursuant to the Ace SPA, the Group has conditionally to sell 50% of its equity interest in SDMA at a consideration of US$3,000,000 (equivalent to approximately HK$23,250,000). Since no agreement have been reached to extend the long stop date, the Ace SPA was therefore lapsed on 12 March 2021 pursuant to the terms. Further details of this transaction are set out in the Company's announcements dated 16 December 2020, 7 January 2021, 15 January 2021, 29 January 2021, 5 February 2021, 11 February 2021, 26 February 2021, 9 March 2021, 17 March 2021 and 25 March 2021.

2. Subsequent to 31 December 2020, the directors of an indirect wholly-owned subsidiary resolved that it and several of its subsidiaries in Australia are insolvent and unable to pay their debt, and that they should cease their operations and should be wound up. Accordingly, a resolution was passed on 27 April 2021 to wind up and cease all Australia business by way of creditors' voluntary liquidation.

3. Subsequent to 31 December 2020, the Australia Convertible Note have been fully redeemed and the Group was discharged and released from all obligations and responsibilities under such convertible note. On 5 January 2021, the Group entered into a new subscription agreement with the same investor to issue New Australia Convertible Note in principal amount of up to US$6,350,000 (equivalent to approximately HK$49,530,000) with maturity date of 30 April 2024. The Group has obtained the confirmation from the investor that he did not intend to exercise the early redemption option before 30 June 2022 under the New Australia Convertible Note.

4. Subsequent to 31 December 2020, the Company entered into two 1-year corporate bond agreements, with two of its directors. Pursuant to the agreements, the Group is going to issue unlisted corporate bonds to them with principal amounts of HK$10,000,000 and HK$15,000,000 respectively. Both corporate bonds will bear interests of 1% per annum. As at date of this report, the Group has received a total of HK$9,900,000 non-refundable deposits relating to these corporate bonds. These issuances are expected to be completed in first half of 2021.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets			
Investments in subsidiaries		**32,002**	92,453
Amounts due from subsidiaries		**50,780**	94,457
Other receivables		**402**	–
		83,184	186,910
Current assets			
Other receivables, deposits and prepayments		**910**	2,144
Amounts due from related parties		**92**	393
Financial investments		**–**	5,000
Cash and cash equivalents		**7,665**	28,194
		8,667	35,731
Current liabilities			
Other payables and accrued charges		**6,890**	7,302
Amounts due to related parties		**370**	199
Amounts due to subsidiaries		**167,911**	139,498
Consideration payables		**128,400**	56,710
Bank and other borrowings		**–**	639
Corporate bonds		**50,000**	71,000
		353,571	275,348
Net current liabilities		**(344,904)**	(239,617)
Total assets less current liabilities		**(261,720)**	(52,707)
Non-current liability			
Consideration payables		**–**	28,890
		–	28,890
Net liabilities		**(261,720)**	(81,597)
Capital and reserves			
Share capital	35	**38,460**	35,410
Reserves (Note)		**(300,180)**	(117,007)
Total equity		**(261,720)**	(81,597)

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement of the Company's reserves are as follows:

	Share premium HK$'000	Other reserve HK$'000	Share options reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2019	66,892	(1,685)	–	(93,036)	(27,829)
Grant of share options	–	–	8,647	–	8,647
Loss and total comprehensive loss for the year	–	–	–	(97,825)	(97,825)
As at 31 December 2019 and 1 January 2020	**66,892**	**(1,685)**	**8,647**	**(190,861)**	**(117,007)**
Grant of share options	**–**	**–**	**2,209**	**–**	**2,209**
Lapse of share options	**–**	**–**	**(1,066)**	**1,066**	**–**
Issue of consideration shares	**66,815**	**–**	**–**	**–**	**66,815**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**(252,197)**	**(252,197)**
As at 31 December 2020	**133,707**	**(1,685)**	**9,790**	**(441,992)**	**(300,180)**

FINANCIAL SUMMARY

For the five years ended 31 December 2016, 2017, 2018, 2019 and 2020

RESULTS

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Revenue	**156,294**	128,724	76,492	64,326	61,663
Loss before taxation	**(320,488)**	(105,884)	(59,554)	(26,983)	(10,640)
Income tax (expense)/credit	**(845)**	(427)	(170)	42	(43)
Loss for the year	**(321,333)**	(106,311)	(59,724)	(26,941)	(10,683)
Loss for the year attributable to:					
Equity shareholders of the Company	**(311,798)**	(98,807)	(53,505)	(25,702)	(10,429)
Non-controlling interests	**(9,535)**	(7,504)	(6,219)	(1,239)	(254)
	(321,333)	(106,311)	(59,724)	(26,941)	(10,683)

ASSETS AND LIABILITIES

	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Total assets	**465,452**	537,582	191,236	186,778	69,055
Total liabilities	**(796,109)**	(628,891)	(183,864)	(124,948)	(47,408)
Net (liabilities)/assets	**(330,657)**	(91,309)	7,372	61,830	21,647
Equity attributable to equity shareholders of the Company	**(328,123)**	(79,280)	13,863	63,415	22,047
Non-controlling interests	**(2,534)**	(12,029)	(6,491)	(1,585)	(400)
(Capital deficiency)/total equity	**(330,657)**	(91,309)	7,372	61,830	21,647

SDM Group Holdings Limited