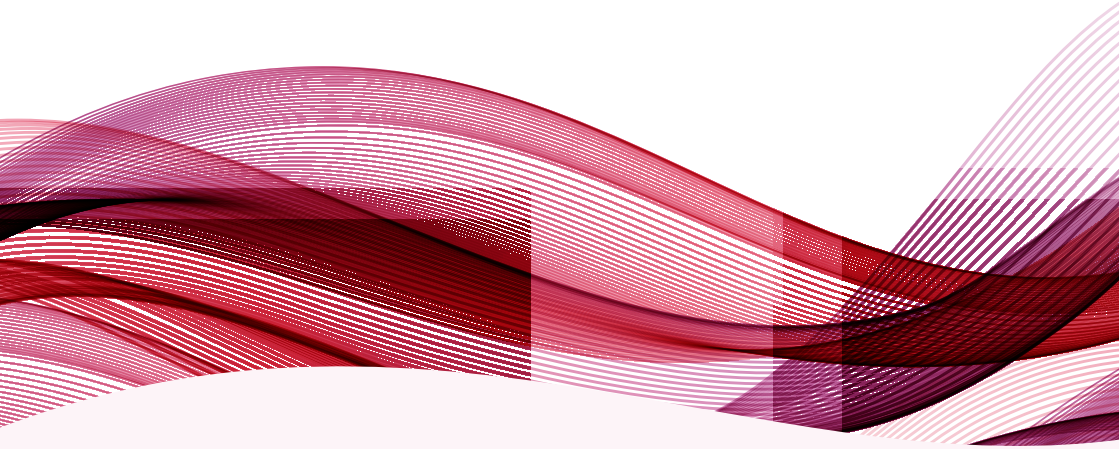


SDM

Group Holdings Limited



2021 SDM

FIRST QUARTERLY REPORT
SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8363

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2021, unaudited results of the Group were as follows:

- revenue of the Group for the three months ended 31 March 2021 was approximately HK\$38.4 million (2020: HK\$31.6 million);
- revenue from early childhood education business in Singapore increased to approximately HK\$18.9 million for the three months ended 31 March 2021 from approximately HK\$7.9 million for the corresponding period last year representing an increase by HK\$11.0 million or 139%;
- profit for the period attributable to the shareholders of the Company for the three months ended 31 March 2021 amounted to approximately HK\$40.4 million as compared to a loss of approximately HK\$60.8 million for the corresponding period last year; and
- basic earning per share for the three months ended 31 March 2021 was approximately 10.50 HK cents (2020: loss per share of approximately 17.18 HK cents).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2021

	Notes	For the three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Revenue	4	38,425	31,577
Other income		11,482	4,491
Other gains and losses		(4,099)	(555)
Changes in inventories of finished goods		(76)	374
Finished goods purchased		(2,354)	(879)
Advertising and promotion expenses		(1,673)	(4,978)
Depreciation and amortisation		(14,635)	(15,642)
Rental expenses		–	(457)
Staff and teaching consultants services costs		(30,775)	(29,332)
Other expenses		(10,114)	(10,405)
Gain/(loss) on change in fair value of consideration payables	5	56,710	(32,800)
Finance costs	6	(2,699)	(2,914)
Share of results of an associate		46	(37)
Share of results of joint ventures		(273)	(372)
Profit/(loss) before taxation		39,965	(61,929)
Income tax credit	7	167	55
Profit/(loss) for the period		40,132	(61,874)
Other comprehensive income			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations (nil tax effect)		1,516	(1,465)
Change in fair value on financial investments at fair value through other comprehensive income (nil tax effect)		–	(1,393)
Profit/(loss) and total comprehensive income for the period		41,648	(64,732)

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2021

	Notes	For the three months ended 31 March	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Profit/(loss) for the period attributable to:			
Equity shareholders of the Company		40,373	(60,823)
Non-controlling interests		(241)	(1,051)
		40,132	(61,874)
Total comprehensive income attributable to:			
Equity Shareholders of the Company		41,889	(63,681)
Non-controlling interests		(241)	(1,051)
		41,648	(64,732)
Earning/(loss) per share:		HK cents	HK cents
Basic	8	10.50	(17.18)
Diluted		N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 12 February 2014 and its shares are listed on GEM of the Stock Exchange on 14 October 2014. Its parent is Wealthy Together Limited ("**Wealthy Together**") (incorporated in 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 addresses of the Company's registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Room 202B, 2/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in (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 education and care in Australia.

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statement for the three months ended 31 March 2021 has been prepared in accordance with the Hong Kong Accounting Standards ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certificate Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2020, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRS**").

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

3. APPLICATION OF NEW AND REVISED HKFRSS

In the current period, the Group has adopted all the new and revised HKFRSS issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. HKFRSS comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSS did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

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

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount during relevant periods. The Group's operation is derived from jazz and ballet and pop dance academy in Hong Kong, early childhood education in Hong Kong and Singapore and adult education and training business in Australia during the current period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) has reviewed the overall results and financial position of the Group as a whole. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Dance academy business – jazz and ballet and pop dance academy in Hong Kong.

Early childhood education business – operation of kindergartens and pre-schools in Hong Kong and Singapore.

Adult education and training business – operation of colleges in Australia

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

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Dance academy business	11,992	7,027
Early childhood education business	19,733	8,934
Adult education and training	4,909	13,808
Others		
— provision of swallowing and speech treatments	1,212	1,070
— provision of photographic services for children	579	738
— others	—	—
	38,425	31,577

Geographical Information

The Group's operations are located in Hong Kong, Singapore and Australia.

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

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong	14,633	9,864
Singapore	18,883	7,905
Australia	4,909	13,808
	38,425	31,577

Information about major customer

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

5. GAIN/(LOSS) ON CHANGE IN FAIR VALUE OF CONSIDERATION PAYABLES

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”).

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. During the year ended 31 December 2020, 26,500,000 shares were issued at HK\$2.41 per shares. As at 31 March 2021, the fair value of the remaining 53,500,000 consideration shares is HK\$71,690,000 (31 December 2020: HK\$128,400,000) which is determined by reference to the quoted market price of HK\$1.34 (31 December 2020: HK\$2.40) per each of the ordinary shares of the Company at 31 March 2021. The Group recognised a gain on change in fair value of Global Win Consideration Payable of HK\$56,710,000 in profit or loss during the three months ended 31 March 2021 (for the three months ended 31 March 2020: a loss of HK\$32,800,000).

6. FINANCE COSTS

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Interest on borrowings	27	169
Interest on corporate bonds	1,236	1,347
Interest on lease liabilities	1,436	1,398
	2,699	2,914

7. INCOME TAX CREDIT

	For the three months ended 31 March	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong Profit Tax		
— Current tax	(102)	—
Singapore corporate income tax (“CIT”)		
— Current year	(30)	—
Deferred tax	299	55
	167	55

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 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 2020.

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% (2020: 17%) of the estimated assessable profit eligible for CIT rebate of 20%, capped at Singaporean dollars (“S\$”) 10,000 for the Year of Assessment 2021 and 2020. 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 for the three months ended 31 March 2021 as such operations incurred loss for taxation purpose for the period.

8. EARNING/(LOSS) PER SHARE

The calculation of basic earning/(loss) per share attributable to shareholders of the Company is based on the profit for the period attributable to shareholders of the Company of approximately HK\$40,373,000 (2020: loss for the period attributable to shareholders of the Company of approximately HK\$60,823,000) and the weighted average number of ordinary shares of 384,600,000 (2020: 354,100,000) in issue during the period.

Diluted loss per share

No diluted earning/(loss) per share had been presented for the three months ended 31 March 2021 and 31 March 2020 since there were no potential ordinary shares in issue during the periods.

9. DIVIDENDS

No dividend was paid or proposed during the three months ended 31 March 2021, nor has any dividend been proposed since the end of the reporting period (for the three months ended 31 March 2020: Nil).

10. RESERVES

	Share premium HK\$'000	Exchange reserve HK\$'000	Fair value reserve HK\$'000	Share options reserve HK\$'000	Other reserve HK\$'000	Accumulated profits (losses) HK\$'000	Total HK\$'000
At 1 January 2020 (audited)	66,892	544	119	8,647	508	(191,400)	(114,690)
Loss for the period (restated)	-	-	-	-	-	(60,823)	(60,823)
Other comprehensive income	-	(1,465)	(1,393)	-	-	-	(2,858)
Loss and total comprehensive income for the period	-	(1,465)	(1,393)	-	-	(60,823)	(63,681)
At 31 March 2020 (unaudited) (restated)	66,892	(921)	(1,274)	8,647	508	(252,223)	(178,371)
At 1 January 2021 (audited)	133,707	(5,868)	-	9,790	(2,080)	(502,132)	(366,583)
Profit for the period	-	-	-	-	-	40,373	40,373
Other comprehensive income	-	1,516	-	-	-	-	1,516
Profit and total comprehensive income for the period	-	1,516	-	-	-	40,373	41,889
At 31 March 2021 (unaudited)	133,707	(4,352)	-	9,790	(2,080)	(461,759)	(324,694)

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 March 2021, the Group had 25 wholly-owned dance centres, one kindergarten 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.

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 during the three months ended 31 March 2021 (the “**Reporting Period**”). This will greatly increase the competitiveness and reputation of the schools and expect to generate more student enrollments in coming 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Business Review (Continued)

Singapore (Continued)

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.

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 the Reporting Period. 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.

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\$6.8 million from approximately HK\$31.6 million for the corresponding period in 2020 to approximately HK\$38.4 million for the Reporting Period. The increase was mainly contributed by the increase in revenue from Early Childhood Education Business amounting to approximately HK\$10.8 million and the Dance Academy Business amounting to approximately HK\$5.0 million.

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

Other income of the Group was approximately HK\$11.5 million (2020: HK\$4.5 million). Other income of the Group mainly comprises the management fee income, franchise fee income, sub-lease rental income, examination handling income and government grants.

Staff and teaching consultants services costs amounted to approximately HK\$30.8 million during the Reporting Period (2020: approximately HK\$29.3 million), representing an increase by approximately 4.9%. The increase was mainly due to an increase in the headcount in Singapore for business expansion in the recent years.

Other operating expenses of the Group was approximately HK\$10.1 million during the Reporting Period (2020: approximately HK\$10.4 million). No material fluctuation was noted as compared to last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Financial Review (Continued)

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately HK\$40.4 million as compared to a loss of approximately HK\$60.8 million for the corresponding period of last year. The turnaround was mainly due to the increase in revenue from Early Childhood Education Business as mentioned above and recognition of gain on change in fair value of consideration payables of approximately HK\$56.7 million (2020: loss on change in fair value of consideration payables of approximately HK\$32.8 million).

Capital Structure

As at 31 March 2021, the authorised share capital of the Company was HK\$800,000,000, divided into 8,000,000,000 shares of HK\$0.1 each (the “Shares”) and the issued share capital of the Company was HK\$38,460,000, divided into 384,600,000 shares of HK\$0.1 each.

As at 31 March 2021, the Group had issued outstanding corporate bonds with carrying amount of principal of approximately HK\$50 million (2020: approximately HK\$50 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 March 2021, the Group had outstanding convertible notes with carrying amount of approximately HK\$293.8 million (2020: HK\$289.7 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 approximately USD6.4 million (equivalent to approximately HK\$49.9 million) carries interest at 8% per annum and will mature on 30 April 2024. The repayment of the convertible notes is guaranteed by the Company.

Charge on Group’s Assets

As at 31 March 2021, the entire shares in SDM Asia Limited held by the Group were pledged as securities for the outstanding convertible note with carrying amount of approximately HK\$244.3 million (2020: HK\$248 million).

The time deposits of HK\$343,000 (2020: HK\$10,703,000) were pledged to secure guarantees by banks issued to the landlords of properties leased by the Group for own use.

MATERIAL ACQUISITIONS

No material acquisitions were taken place during the Reporting Period.

SIGNIFICANT INVESTMENTS

As at 31 March 2021, there was no significant investment held by the Group (2020: nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong and overseas markets. 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. Since the second half of 2018, the Group officially stepped foot on the mainstream education market overseas through its proposed acquisition of several pre-schools in Singapore ("**Acquisition**") and education business in Australia.

The Acquisition is in line with the business development plan and expansion plan of the Group. The Board believes that the Acquisition provides an excellent development platform and opportunity to expand its early childhood education business 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 excellent investment opportunity for the Group to further establish its position in targeting children from 2 to 12 years old.

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

CONTINGENT LIABILITIES

As at 31 March 2021, the Group did not have any significant contingent liabilities (2020: Nil).

MATERIAL EVENTS AFTER THE REPORTING DATE

Subsequent to the Reporting Period, the directors of an indirect wholly-owned subsidiary resolved that it and several other indirect wholly-owned subsidiaries (together the "**Australia Subsidiaries**") 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 the Australia Subsidiaries by way of creditors' voluntary liquidation. Further details are set out in the Company's announcement dated 13 May 2021.

OTHER INFORMATION

Disclosure of Interests

(a) *Directors' and Chief executive's interests in Shares*

As at 31 March 2021, 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 Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors and chief executive	Nature of interest/ holding capacity	Number of ordinary shares held	Number of underlying shares held	Percentage of interest in the Company's issued share capital (Note 1)
Mr. Chiu Ka Lok ("Mr. Chiu")	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	1.84%
Ms. Yeung Siu Foon	Beneficial owner and family interest	–	7,082,000	1.84%

Notes:

- (1) As at 31 March 2021, the total issued share capital of the Company was HK\$38,460,000 divided into 384,600,000 Shares of HK\$0.1 each.

OTHER INFORMATION (CONTINUED)

Disclosure of Interests (Continued)

(a) Directors' and Chief executive's interests in Shares (Continued)

Long positions in the Shares of the Company (Continued)

Notes: (Continued)

- (2) Wealthy Together, is wholly and beneficially owned by Mr. Chiu, an executive Director and the Chairman of the Company. Mr. Chiu is deemed to be interested in 198,750,000 Shares held by Wealthy Together by virtue of his 100% shareholding interest in Wealthy Together. 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 and is therefore deemed to be interested in all the shares held/owned by Mr. Chiu (by himself or through Wealthy Together) by virtue of the SFO.
- (4) 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 (as defined below). 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 March 2021, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

OTHER INFORMATION (CONTINUED)

Disclosure of Interests (Continued)

(b) **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 March 2021, 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 that would fall to be disclosed to the Company and the Stock Exchange under the provision 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 2)
Wealthy Together	Beneficial owner	198,750,000 (Note 1)	51.68%
Hui Pui Cheung	Beneficial owner	56,038,000	15.00%
Chen Jiaxin	Interest of a controlled corporation	28,000,000	7.28%
Tycoon Mind Limited	Beneficial owner	28,000,000	7.28%

Notes:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) As at 31 March 2021, the total issued share capital of the Company was HK\$38,640,000 divided into 386,400,000 Shares of HK\$0.1 each.

Save as disclosed above, as at 31 March 2021, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the total number of shares in issue immediately following the completion of the offering for the listing of the Shares of the Company (i.e. 20,000,000) (the "**Scheme Limit**"). Options lapsed in accordance with the terms of the 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 by the Company 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 at the Latest Practicable Date (as defined in the May Circular), 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.

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.

SHARE OPTION SCHEME (CONTINUED)

Pursuant to the 2020 January EGM, the Company granted 6,380,000 share options (one share for each option) at an exercise price of HK\$1.20 per share on 11 February 2020 and 2,300,000 share options (one share for each option) 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.

As at 31 March 2021, 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:

Date of grant	Owners/Grantees	Number of share options					At 31 March 2021	Exercise period	Exercise Price HK\$
		At 1 Jan 2021	Granted	Exercised	Lapsed	Cancelled			
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 February 2020	Employees	2,480,000	-	-	-	-	2,480,000	11 February 2020 to 10 February 2023	1.20
	Consultants	2,100,000	-	-	-	-	2,100,000	11 February 2020 to 10 February 2022	1.20
	Business partner	1,000,000	-	-	-	-	1,000,000	11 February 2020 to 10 February 2022	1.20
25 February 2020	Employee	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
		32,667,000	-	-	-	-	32,667,000		

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

NON-COMPETITION UNDERTAKINGS

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

For the year ended 31 December 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.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the three months ended 31 March 2021, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the **"Code of Conduct"**) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the **"Required Standard Dealings"**). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Reporting Period. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the three months ended 31 March 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The financial information in this report has not been audited by the auditor of the Company. The Company's audit committee (the "**Audit Committee**"), comprising Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing, being the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the three months ended 31 March 2021. There were no disagreements within the Audit Committee in relation to the accounting treatments adopted by the Company.

BOARD OF DIRECTORS

As at the date of this report, the Board comprises Mr. Chiu Ka Lok (Chairman) and Mr. Chun Chi Ngon Richard (Chief Executive Officer), as the executive Directors, Dr. Chun Chun and Ms. Yeung Siu Foon, as the non-executive Directors, Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing, as the independent non-executive Directors.

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

Hong Kong, 14 May 2021