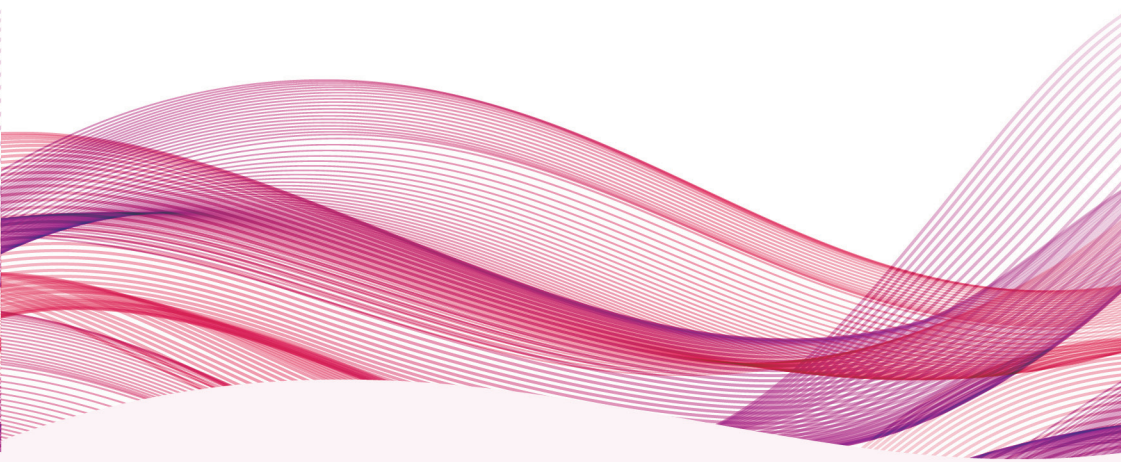


SDM



Group Holdings Limited



2021 SDM

INTERIM 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")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.sdm.hk.

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2021 (the “**Reporting Period**”), unaudited operating results of the Group were as follows:

- revenue of the Group for the Reporting Period was approximately HK\$91.6 million (2020: approximately HK\$69.5 million);
- revenue from the Group’s childcare business in Singapore increased from approximately HK\$20 million for the corresponding period last year to approximately HK\$43.8 million for the six months ended 30 June 2021, representing an increase by approximately HK\$23.8 million or approximately 119%
- revenue from the Group’s dance academy business in Hong Kong increased from approximately HK\$19 million for the corresponding period last year to approximately HK\$34.6 million for the six months ended 30 June 2021, representing an increase by approximately HK\$15.6 million or approximately 82.1%
- profit for the period attributable to the shareholders of the Company for the six months ended 30 June 2021 was approximately HK\$86.0 million as compared to a loss of approximately HK\$110.3 million for the corresponding period last year; and
- basic earnings per share for the Reporting Period was approximately 22.35 HK cents (2020: basic loss per share of approximately 31.04 HK cents).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021, together with the unaudited comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	53,215	37,956	91,640	69,533
Other income		6,493	14,821	17,975	18,757
Other gains and losses		4,505	–	406	–
Changes in inventories of finished goods		256	(102)	180	272
Finished goods purchased		(219)	(483)	(2,573)	(1,362)
Advertising and promotion expenses		(1,547)	(3,919)	(3,220)	(8,897)
Depreciation and amortisation		(15,568)	(17,388)	(30,203)	(33,030)
Rental expenses		–	(163)	–	(620)
Staff and teaching consultants services costs		(29,985)	(27,517)	(60,760)	(56,849)
Other expenses		(9,644)	(10,767)	(19,758)	(21,172)
Gain/(loss) on change in fair value of consideration payables		48,638	(40,000)	105,348	(72,800)
Share option expenses		(4,817)	–	(4,817)	–
Finance costs	5	(5,271)	(2,558)	(7,970)	(5,472)
Share of results of an associate		10	205	56	168
Share of results of joint ventures		593	(942)	320	(1,314)
Profit/(loss) before taxation		46,659	(50,857)	86,624	(112,786)
Income tax (expense)/credit	6	(48)	63	119	118
Profit/(loss) for the period		46,611	(50,794)	86,743	(112,668)

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

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2021	2020	2021	2020
		(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other comprehensive income					
Items that maybe reclassified to profit or loss					
Change in fair value on financial assets at fair value through other comprehensive income, net of tax		-	992	-	(401)
Exchange differences arising on translation of foreign operations		232	2,418	1,748	953
Other comprehensive income for the period, net of tax		232	3,410	1,748	552
Total comprehensive income/(expense) for the period		46,843	(47,384)	88,491	(112,116)
Profit/(loss) for the period attributable to:					
Owners of the Company		45,589	(49,473)	85,962	(110,296)
Non-controlling interests		1,022	(1,321)	781	(2,372)
		46,611	(50,794)	86,743	(112,668)
Total comprehensive income/(expense) for the period attributable to:					
Owners of the Company		46,144	(46,048)	88,033	(109,729)
Non-controlling interests		699	(1,336)	458	(2,387)
		46,843	(47,384)	88,491	(112,116)
Earnings/(loss) per share:		HK cents	HK cents	HK cents	HK cents
Basic and diluted	7	11.85	(13.88)	22.35	(31.04)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	20,283	20,878
Goodwill	10	104,078	99,062
Intangible assets	10	73,830	78,542
Interests in joint ventures		156	156
Loans to joint ventures		1,272	952
Interest in an associate		1,469	1,438
Deposits for acquisition of subsidiaries/businesses	11	31,179	33,770
Lease receivables		2,557	3,083
Other receivables, deposits and prepayments	12	24,611	27,611
Deferred tax assets		30	43
Right-of-use assets		91,921	96,567
		351,386	362,102
Current assets			
Inventories		2,384	2,204
Lease receivables		1,334	2,261
Trade and other receivables, deposits and prepayments	12	61,976	38,484
Amounts due from related parties		7,491	8,866
Amounts due from non-controlling shareholders of subsidiaries		753	2,184
Pledged time deposits		343	10,703
Bank balances and cash		24,276	38,458
Tax recoverable		256	190
		98,813	103,350
Current liabilities			
Trade and other payables, accrued charges	13	59,956	40,056
Deferred income	13	63,142	39,047
Amounts due to related parties		15,228	3,429
Amounts due to non-controlling shareholders of subsidiaries		183	224
Provisions		3,964	2,396
Tax payable		110	1,170
Corporate bonds	15	–	50,000
Convertible notes		48,306	41,643
Consideration payable		24,159	153,942
Bank and other borrowings	14	40,603	2,342
Lease liabilities		59,079	75,897
		314,730	410,146
Net current liabilities		(215,917)	(306,796)
Total assets less current liabilities		135,469	55,306

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	Note	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Capital and reserves			
Share capital		38,460	38,460
Reserves		(273,733)	(366,583)
Equity attributable to owners of the Company		(235,273)	(328,123)
Non-controlling interests		(2,076)	(2,534)
Capital deficiency		(237,349)	(330,657)
Non-current liabilities			
Provisions		8,000	9,894
Deferred tax liabilities		6,028	6,707
Convertible notes	16	243,810	248,040
Bank and other borrowings		5,696	–
Lease liabilities		109,284	121,322
		372,818	385,963
		135,469	55,306

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Issued 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	Accumulated losses HK\$'000			
At 1 January 2020 (audited)	35,410	66,892	544	119	8,647	508	(191,400)	(79,280)	(12,029)	(91,309)
Loss for the period	-	-	-	-	-	-	(110,296)	(110,296)	(2,372)	(112,668)
Exchange differences arising on translation to presentation currency	-	-	968	-	-	-	-	968	(15)	953
Change in fair value on financial assets through other comprehensive income	-	-	-	(401)	-	-	-	(401)	-	(401)
Gain (Loss) and total comprehensive expense for the period	-	-	968	(401)	-	-	(110,296)	(109,729)	(2,387)	(112,116)
Acquisition of subsidiaries (Note 17)	-	-	-	-	-	2,194	-	2,194	-	2,194
Issue of consideration shares (Note 17)	400	5,600	-	-	-	-	-	6,000	-	6,000
At 30 June 2020 (unaudited) (Restated)	35,810	72,492	1,512	(282)	8,647	2,702	(301,696)	(180,815)	(14,416)	(195,231)
At 1 January 2021 (audited)	38,460	133,707	(5,868)	-	9,790	(2,080)	(502,132)	(328,123)	(2,534)	(330,657)
Profit for the period	-	-	-	-	-	-	85,962	85,962	781	86,743
Exchange differences arising on translation to presentation currency	-	-	2,071	-	-	-	-	2,071	(323)	11,748
Gain and total comprehensive income for the period	-	-	2,071	-	-	-	85,962	88,033	458	88,491
Grant of share options	-	-	-	-	4,817	-	-	4,817	-	4,817
At 30 June 2021 (unaudited)	38,460	133,707	(3,797)	-	14,607	(2,080)	(416,170)	(235,273)	(2,076)	(237,349)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Net cash generated from operating activities	47,251	10,950
Net cash used in investing activities	(18,505)	(12,860)
Net cash used in financing activities	(46,882)	(6,601)
Net decrease in cash and cash equivalents	(18,136)	(8,511)
Cash and cash equivalents at 1 January	38,458	76,223
Effect of foreign exchange rate changes	3,954	3,112
Cash and cash equivalents at 30 June, represented by bank balances and cash	24,276	70,824
REPRESENTED BY:		
Bank balances and cash	24,276	70,824

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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 British Virgin Islands). Its ultimate controlling party is Mr. Chiu Ka Lok (“**Mr. Chiu**”), who is also the Chairman and executive Director of the Company. The addresses of the Company’s registered office and principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Room 202B, 2/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in the (i) business of jazz and ballet and pop dance academy in Hong Kong; (ii) operation of kindergartens and preschools 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 unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 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 interim 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 Hong Kong Financial Reporting Standards (“**HKFRSS**”).

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

3. ADOPTION OF NEW AND REVISED 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 2020. 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.

4. REVENUE AND SEGMENT INFORMATION

A. Revenue for the six months ended 30 June 2021

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 provision of adult language courses in Australia during the six months ended 30 June 2020 and 2021.

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

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Dance academy business	34,599	19,236
Early childhood education business	45,670	21,338
Adult education and training	6,371	24,386
Others		
— provision of swallowing and speech treatments	2,315	3,311
— provision of photographic services for children	2,685	1,215
— others	–	47
	91,640	69,533

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

B. Segment Information

During the six months ended 30 June 2020 and 2021, the Group's operation was mainly derived from jazz and ballet and pop dance academy in Hong Kong, operation of kindergartens and pre-schools in Hong Kong and Singapore and provision of adult language and training courses in Australia.

During the six months ended 30 June 2020, upon the completion of acquisition of Ability Education Pty Ltd ("**Ability Education**") and Childrens Services Education Pty Ltd ("**CSE**"), a new operating and reportable segment of provision of adult language courses in Australia is identified by the chief operating decision maker ("**CODM**") for the purpose of allocating resources to segments and assessing its performance focuses on types of goods or services delivered or provided.

For the purpose of resources allocation and performance assessment, the CODM reviewed the overall results of the Group by reportable segments. The details of each operating segments are set out below.

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 — provision of English learning and vocational education and training courses 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)

B. Segment Information (continued)

The following is an analysis of the Group's revenue and results by operating and reportable segment.

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the six months ended 30 June 2021

	Dance academy business HK\$'000	Early childhood education business HK\$'000	Adult education and training business HK\$'000	Others HK\$'000	Consolidated HK\$'000
Revenue	34,599	45,670	6,371	5,000	91,640
Segment (loss)/profit	(321)	4,919	(4,549)	1,808	1,857
Other income, other gains and losses					2,606
Central corporate expenses					(18,746)
Share option expenses					(4,817)
Gain on change in fair value of consideration payable					105,348
Share of results of an associate					56
Share of results of joint ventures					320
Profit before taxation					86,624

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. 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 and share of results of an associate and joint ventures.

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.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

B. Segment Information (continued)

Other segment information

For the six months ended 30 June 2021

	Dance academy 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	-	15	44	-	395	454
Government grants and subsidies	-	1,892	-	9	103	2,004
Amortisation of intangible assets	(1,755)	(1,646)	-	(253)	-	(3,654)
Depreciation of property, plant and equipment	(1,933)	(1,971)	-	(34)	(51)	(3,989)
Depreciation of right-of-use assets	(11,797)	(9,955)	-	-	(808)	(22,560)
Loss on disposal of PPE	(53)	-	-	-	-	(53)
Interest on lease liabilities	(660)	(1,401)	(643)	-	(56)	(2,760)
Addition to non-current assets	17,080	5,421	-	10	-	22,511
Share of results of associates	-	-	-	-	56	56
Share of results of joint ventures	-	-	-	-	320	320

Geographical Information

The Group's operations during six months ended 30 June 2020 and 2021 are located in Australia, Hong Kong and Singapore.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers for the six months ended 30 June		Non-current assets as at	
	2021 HK\$'000	2020 HK\$'000	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Hong Kong	41,422	25,579	74,763	103,066
Australia	6,371	24,386	-	99,223
Singapore	43,847	19,568	248,153	188,575
	91,640	69,533	322,916	390,864

Note: Non-current assets excluded financial instruments and deferred tax assets.

4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical Information (Continued)

Information about major customer

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

5. FINANCE COSTS

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Interest on borrowings	108	329
Interest on corporate bonds	5,102	2,693
Interest on lease liabilities	2,760	2,450
	7,970	5,472

6. INCOME TAX (EXPENSE)/CREDIT

	For the three months ended 30 June		For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Current tax				
— Hong Kong Profits Tax	—	—	(102)	—
— Singapore Corporate Income Tax ("CIT")	(360)	(5)	(390)	(5)
Deferred tax	312	68	611	123
	(48)	63	119	118

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

6. INCOME TAX (EXPENSE)/CREDIT (CONTINUED)

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime was insignificant to the condensed consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Singapore Corporate Income Tax (“CIT”) is calculated at 17% (six months ended 30 June 2019: 17%) of the estimated assessable profit eligible for CIT rebate of 25% (six months ended 30 June 2019: 20%), capped at Singaporean dollars (“S\$”) 15,000 (six months ended 30 June 2019: S\$10,000) for the Year of Assessment 2019 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\$190,000 of normal chargeable income (six months ended 30 June 2019: 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 75% tax exemption on the first S\$100,000 of normal chargeable income and a further 50% tax exemption on the next S\$100,000 of normal chargeable income (six months ended 30 June 2019: 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 six months ended 30 June 2020 as such operations incurred loss for taxation purpose for 2020.

7. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the three months ended 30 June 2021 and six months ended 30 June 2021 attributable to owners of the Company of approximately HK\$45,589,000 and HK\$85,962,000 respectively (2020: the loss for the three months ended 30 June 2020 and six months ended 30 June 2020 attributable to owners of the Company of approximately HK\$49,473,000 and HK\$110,296,000 respectively) and the weighted average number of ordinary shares of 384,600,000 and 384,600,000 (2020: weighted average number of ordinary shares for the three months ended 30 June 2020 and six months ended 30 June 2020 of 356,474,000 and 355,287,000 respectively) in issue during the three months ended 30 June 2020 and the six months ended 30 June 2020 respectively.

Diluted loss per share

Diluted earnings per share for the three months ended 30 June 2021 and 2021 and six months ended 30 June 2020 and 2021 was the same as the basic earnings per share.

8. DIVIDENDS

No dividend was proposed during the six months ended 30 June 2021, nor has any dividend been proposed since the end of the reporting period (for the six months ended 30 June 2020: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

During the period under review, the Group acquired property, plant and equipment of approximately HK\$3,450,000 (2020: HK\$6,624,000).

10. INTANGIBLE ASSETS

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired. No impairment of goodwill was recognised during the six months ended 30 June 2021 (2020: Nil).

11. DEPOSITS FOR ACQUISITION OF SUBSIDIARIES/BUSINESS

During the six months ended 30 June 2021, the Group entered into a number of 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 with principal activities in education sector in Singapore and Thailand. Pursuant to the respective term sheets/memorandum and sale and purchase agreements, the Group paid earnest monies/deposits which will be utilised to settle part of the purchase consideration in the future.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables from third parties (Note i)	20,795	3,252
Rental deposits	14,442	15,243
Loan receivables (Note ii)	16,272	16,554
Management fee income receivables	2,576	7,424
Other deposits, receivables and prepayments	32,502	17,721
Total trade and other receivables, deposits and prepayments	86,587	66,095
Analysed as		
Current	61,976	38,484
Non-current	24,611	127,611
	86,587	166,095

Note:

- (i) Trade receivables from third parties mainly represent tuition fees receivables from students and receivables from financial institutions in relation to the payments settled by credit cards by customers of which the settlement period is normally one to two months from transaction date.
- (ii) The loan receivables included loan to the holding company of an associate and loan to a third party.

The loan to holding company of an associate represented advances of S\$2,695,000 (equivalent to approximately HK\$15,534,000) (2020: HK\$15,803,000) 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\$5,343,000) (2020: HK\$5,436,000), 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.

The loan to third party represented advance of S\$128,000 (equivalent to approximately HK\$738,000) (2020: HK\$751,000) 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.

13. TRADE AND OTHER PAYABLES, ACCRUED CHARGES AND DEFERRED INCOME

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade payable	607	326
Accrued staff costs	6,286	4,476
Accrued interest expenses on corporate bonds	100	2,096
Accrued audit fee	1,710	4,280
Accrued construction costs	127	1,746
Customer deposits	8,420	7,054
Other payables and accrued charges	42,706	21,078
Deferred income	63,142	39,047
	123,098	79,103

14. BANK AND OTHER BORROWINGS

The following table provides an analysis of the bank and other borrowings:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Bank borrowings (Note a)	–	2,342
Other borrowings (Note b)	46,299	–
	46,299	2,342

The carrying amounts of bank and other borrowings that contain a repayable on demand clause (show under current liabilities) but are repayable based on schedule repayment dates set out in the loan agreements:

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Within one year	40,603	2,342
Over one year but not exceeding two years	5,696	–
	46,299	2,342

14. BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

(a) Bank borrowings

As at 31 December 2020, bank borrowing of HK\$95,000 bears variable interest at best lending rate plus 1% per annum. The bank overdraft and bank borrowing are secured by a property of a non-executive director and also guaranteed by a non-executive director for unlimited amount. The bank borrowings fully repaid during the six months ended 30 June 2021.

As at 31 December 2020, another bank loan of HK\$2,247,000 bears variable interest at HIBOR 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. The loan was fully repaid during the six months ended 30 June 2021.

(b) Other borrowings

On 12 Apr 2021, the Company entered into a loan agreement with a third party for a loan in the principal amount of S\$250,000 (equivalent to approximately HK\$1,443,000). The loan carries interest at 8% per annum and would mature by end of 48 months after the drawdown date (i.e. 12 Apr 2021).

On 12 Apr 2021, the Company entered into a loan agreement with another third party for a loan in the principal amount of S\$250,000 (equivalent to approximately HK\$1,443,000). The loan carries interest at 8% per annum and would mature by end of 48 months after the drawdown date (i.e. 12 Apr 2021).

On 7 May 2021, the Company entered into a loan agreement with a third party for a loan in the principal amount of S\$600,000 (equivalent to approximately HK\$3,413,000). The loan carries interest at 7.25% per annum and would mature by end of 60 months after the drawdown date (i.e. 7 May 2021).

On 9 June 2021, the Company entered into a loan agreement with a third party for a loan in the principal amount of HK\$40 million. The loan carries interest at 20.625% per annum for the first three months and 17.175% per annum for the fourth to twelfth months from the drawdown date and would mature on the day falling on the first anniversary of the drawdown date (i.e. 9 June 2021). The loan is guaranteed by Wealthy Together, the parent company of the Company, Mr. Chiu, the controlling shareholder of the Company and Dr. Chun Chun ("Dr. Chun"), a non-executive director of the Company and pledged by the properties owned by Mr. Chiu and Dr. Chun.

15. CORPORATE BONDS

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. 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. Details are set out in the Company's announcement dated 2 January 2020.

15. CORPORATE BONDS (CONTINUED)

As at 31 December 2020, the corporate bonds measured at amortised cost totalling HK\$50,000,000 were recorded as current liabilities. Up to 30 June 2021, the corporate bonds were fully repaid by the Group.

16. CONVERTIBLE NOTES

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 subscription agreement (the “**CN Subscription Agreement**”) and an amendment deed to the CN Subscription Agreement (the “**Amendment Deed**”) respectively. Pursuant to the CN Subscription Agreement and the Amendment Deed, the Issuer conditionally agreed to issue and the Investor conditionally agreed to subscribe for the convertible note (the “**Convertible Note**”) in the principal amount of United States dollars (“**US\$**”) 25,000,000 (equivalent to approximately HK\$195,400,000). The 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 Convertible Note shall be converted into new preference shares of the Issuer upon the occurrence of certain events as detailed in the CN Subscription Agreement and the Amendment Deed.

All the conditions precedent to the CN Subscription Agreement (as amended and supplemented by the Amendment Deed) had been fulfilled and the completion took place on 12 February 2019. Accordingly, the 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. Details of which are set out in the Company’s announcements dated 27 December 2018 and 12 February 2019.

The Convertible Note is guaranteed by the Company and secured by the entire equity interest in SDM Asia Limited held by the Group.

As at 30 June 2021, the Convertible Note measured at fair value through profit or loss amounted to HK\$243,810,000 (31 December 2020: HK\$248,040,000) were recorded as non-current liabilities.

On 17 January 2020, the Company and SDM Australian Education Limited, a wholly-owned subsidiary of the Company, entered into a subscription agreement (the “**Subscription Agreement**”) with Golden Pursue Limited, an independent third party.

Pursuant to the Subscription Agreement, SDM Australian Education Limited conditionally agreed to issue and Golden Pursue Limited has conditionally agreed to subscribe for a convertible note in the principal amount of US\$5,000,000 (equivalent to approximately HK\$39,000,000) (the “**New Convertible Note**”). The New Convertible Note will bear 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 the Subscription Agreement, the New Convertible Note shall have a term of 48 months.

As at 30 June 2021, the New Convertible Note measured at fair value through profit or loss amounted to HK\$48,306,000 (31 December 2020: HK\$41,643,000) were recorded as current liabilities.

17. ACQUISITION OF SUBSIDIARIES

Pursuant to a sale and purchase agreement, the Group has completed the acquisition of all business assets of Cherie Hearts @ Eastgate Pte Ltd on 1 January 2021 at a maximum aggregate consideration of S\$1,200,000 (equivalent to HK\$7,044,000). Up to 30 June 2021, the Group has paid S\$1,000,000 (equivalent to HK\$5,870,000) to the vendor.

Pursuant to a sale and purchase agreement, the Group has committed to acquire all business assets of Moriah Schoolhouse LLP and Moriah Schoolhouse @ FV LLP (collectively referred to as the "**Moriah Group**") at a total cash consideration of S\$1,300,000 (equivalent to approximately HK\$7,085,000). Up to 31 December 2019, the Group has paid S\$650,000 (equivalent to approximately HK\$3,765,000) to the vendors. The acquisition of the assets of the Moriah Group was completed after the Group has paid the balance of consideration in January 2020. Details are set out in the Company's announcements dated 28 June 2019 and 30 September 2019.

Pursuant to the sale and purchase agreement dated 14 January 2019, the Group has committed to acquire the entire equity interest of Childrens Services Education Pty Ltd ("**CSE**") at a consideration of Australian dollars ("**AUS\$**") 3,040,000 (equivalent to approximately HK\$14,470,000), subject to adjustment. Up to 31 December 2019, the Group has paid AU\$1,100,000 (equivalent to approximately HK\$6,033,000) to the vendors. The acquisition of CSE was completed after the Group has paid the balance of consideration in January 2020. Further details of this transaction are set out in the Company's announcements dated 14 January 2019, 29 January 2019, 29 March 2019, 21 May 2019 and 30 August 2019 and the Company's circular dated 3 September 2019.

Pursuant to the memorandum of understanding dated 7 August 2019 entered into between SDM Intentional Investments Pte Ltd ("**SDMII**") as purchaser and the shareholders of target entities which are composed of six private companies limited by shares incorporated in Singapore as vendors, SDMII intended to acquire all of shares of the target entities. On 21 January 2020, SDMII entered into the sale and purchase agreement with three third party individuals. Pursuant to the sale and purchase agreement, the Group has conditionally agreed to conduct and complete the acquisition of four private companies (the "**Global Tots Group**") in full for a maximum aggregate consideration of S\$7,800,000 (equivalent to approximately HK\$42,510,000). The Global Tots Group provides day-care and educational services including, but not limited to, developing and running educational and enrichment programmes and providing day-care services to infant and children. The transaction constitutes a major transaction acquisition of the Company under the GEM Listing Rules. On 13 March 2020, the Company announced that as additional time is required for the fulfillment of the conditions precedent in the sale and purchase agreement, SDMII and the vendors entered into a supplemental agreement to the sale and purchase agreement, pursuant to which SDMII and the vendors agreed to extend the long stop date from 13 March 2020 to 29 April 2020. The acquisition of the Global Tots Group was completed on 20 April 2020. Further details of this transaction are set out in the Company's announcements dated 7 August 2019, 21 January 2020, 6 February 2020, 13 February 2020, 6 March 2020, 13 March 2020, 26 March 2020 and 17 April 2020 and the Company's circular dated 26 March 2020.

17. ACQUISITION OF SUBSIDIARIES (CONTINUED)

On 1 April 2020, SDM-Ichiban Preschool Pte. Ltd., a wholly owned subsidiary of the Company, and Ichiban (Noble) Childcare Pte. Ltd and Ichiban (Yunnan) Childcare Centre (collectively “**the Ichiban Entities**”) entered into a sale and purchase agreement (“**Ichiban SPA**”). Pursuant to the Ichiban SPA, the Group has conditionally agreed to purchase certain assets of the Ichiban Entities at a cash consideration of S\$600,000 (equivalent to approximately HK\$3,270,000). The acquisition of the assets of the Ichiban Entities was completed on 1 April 2020. Further details of this transaction are set out in the Company’s announcement dated 1 April 2020 and 16 April 2020. The Group is assessing the fair value of assets of the Ichiban Entities acquired on the completion date.

On 17 April 2020, SDM Management Limited, Mutual Bright Corporation Limited (“**Mutual Bright**”) (a joint venture), Mr. Hung (“**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 50% of its equity interest in Mutual Bright to Mr. Hung for a consideration of HK\$1.00; (ii) SDM Academie Limited shall acquire the business and properties of Mutual Bright for HK\$4,000,000 (the “**Second Consideration**”); and (iii) SDM Management Limited shall acquire 50% equity interest in Well Team International Development Limited (a joint venture) for HK\$2,000,000 (the “**Third Consideration**”). The aggregation of the Second Consideration and the Third Consideration of HK\$6,000,000 shall be 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 of the Company on 6 May 2019 at the issue price of HK\$1.50 per consideration share. Further details of this transactions are set out in the Company’s announcement dated 17 April 2020.

18. PLEDGE OF ASSETS

	30 June 2021 HK\$’000	31 December 2020 HK\$’000
Time deposits	343	10,703

19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group also had the following related party transactions during both years:

	For the six months ended	
	2021	2020
	HK\$'000	HK\$'000
Rental income from related companies (Note):		
— Rainbow Creative Arts Limited	777	423
— Dunn's Education Limited	556	728
— Sunshine Chinese Painting	113	100
	1,446	1,251

Note: Rainbow Creative Arts Limited is wholly-owned by Mr. Chiu Ka Lok, one of the executive Directors and a controlling shareholder of the Group. Dunn's Education Limited is owned as to 33.33% 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.

As at 31 December 2020, bank borrowings of HK\$95,000 were guaranteed by Dr. Chun, a non-executive director of the Company and pledged by a property owned by Dr. Chun. Dr. Chun did not charge the Group for the guarantee provided and pledge of her property. The bank borrowings were fully repaid during the six months ended 30 June 2021.

As at 30 June 2021, a loan of HK\$40,000,000 (31 December 2020: nil) were guaranteed by Wealthy Together, the parent company of the Company, Mr. Chiu, the controlling shareholder of the Company and Dr. Chun, a non-executive director of the Company and pledged by the properties owned by Mr. Chiu and Dr. Chun. They did not charge the Group for the guarantee provided and pledge of their properties.

19. RELATED PARTY TRANSACTIONS (CONTINUED)

Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the six months ended 30 June 2020 and 2021 were as follows:

	For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Short-term benefits	1,134	1,117
Post-employment benefits	–	–
	1,134	1,117

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Hong Kong

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong, and childcare business in Hong Kong and Singapore. During the six months ended 30 June 2021 (the “**Reporting Period**”), 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 110 at the end of the Reporting Period.

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 Reporting Period. This will greatly increase the competitiveness and reputation of the schools and expect to generate more student enrollments in 2021.

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 during 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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\$22.1 million from approximately HK\$69.5 million for the corresponding period in 2020 to approximately HK\$91.6 million for the Reporting Period. The increase was mainly due to the contribution by the increase in revenue from (i) the Early Childhood Education Business in Singapore increased from approximately HK\$20 million for the corresponding period last year to approximately HK\$43.8 million for the six months ended 30 June 2021, representing an increase by approximately HK\$23.8 million or approximately 119% and (ii) Dance Academy Business in Hong Kong increased from approximately HK\$19 million for the corresponding period last year to approximately HK\$34.6 million for the six months ended 30 June 2021, representing an increase by approximately HK\$15.6 million or approximately 82%.

Other income of the Group mainly comprises government grants and subsidies, management fee income, bank interest income and rental income. There were no material changes in the Reporting Period as compared to the corresponding period in 2020.

Staff and teaching consultants services costs amounted to approximately HK\$60.8 million during the Reporting Period (2020: approximately HK\$56.8 million), representing an increase by approximately 7.0%. The increment was mainly due to increase in the headcount in Singapore for business expansion during the year. Such increase was reduced by the decrease in salaries for Adult and Training Business during the Reporting Period.

Other operating expenses of the Group was approximately HK\$19.8 million during the Reporting Period (2020: approximately HK\$21.2 million), representing a decrease of approximately 6.6% as compared to the corresponding period in 2020. The decrease was mainly attributable to the cost-saving measures implemented by the Group and cessation of Adult Education and Training Business during the Reporting Period.

The Group recorded a profit attributable to owners of the Company for the Reporting Period of approximately HK\$86.0 million as compared to a loss of approximately HK\$110.3 million for the corresponding period of last year. The turnaround was mainly due to the increase in revenue from Early Childhood Education Business and Dance Academy Business as mentioned above and recognition of gain on change in fair value of consideration payables of approximately HK\$105.3 million (2020: loss on change in fair value of consideration payables of approximately HK\$72.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Significant Investments

As at 31 December 2020 and 30 June 2021, there was no other significant investment held by the Group.

Liquidity and Financial Resources

The Group generally finances its operation through internally-generated cash flows, private funds, individual investors and banking facilities during the period. As at 30 June 2021, the total bank balances and cash of the Group amounted to approximately HK\$24.3 million (31 December 2020: approximately HK\$38.5 million).

There were bank and other borrowings of HK\$40.6 million (31 December 2020: HK\$2.3 million) borrowed by the Group which were classified as current liabilities as at 30 June 2021.

In addition, the Group has issued two convertible notes, one with a face value of US\$25 million (equivalent to approximately HK\$243.8 million), which was classified as non-current liabilities and another one with a face value of US\$6.4 million (equivalent to approximately HK\$48.3 million), which was classified as current liabilities as at 31 December 2020 and 30 June 2021.

As at 30 June 2021, the current ratio (defined as total current assets divided by total current liabilities) was approximately 0.31 times as compared to 0.25 times as at 31 December 2020.

Capital Structure

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

As at 30 June 2021, the authorised share capital of the Company was HK\$800,000,000 divided into 8,000,000,000 shares of the Company (the “**Shares**”) of HK\$0.1 each. As at 30 June 2021, the issued share capital of the Company was HK\$38,460,000 (31 December 2020: HK\$38,460,000) divided into 384,600,000 Shares (31 December 2020: 384,600,000 shares).

As at 31 December 2020, the Group had issued outstanding corporate bonds with carrying amount of principal of 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. The bonds were fully redeemed during the Reporting Period.

On 9 June 2021, the Company entered into a loan agreement with a third party for a loan in the principal amount of HK\$40 million. The loan carries interest at 20.625% per annum for the first three months and 17.175% per annum for the fourth to twelfth months from the drawdown date and would mature on the day falling on the first anniversary of the drawdown date (i.e. 9 June 2021).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure (Continued)

As at 30 June 2021, the Group had outstanding convertible notes with carrying amount of approximately HK\$292.1 million (2020: HK\$289.7 million). The convertible note with face value of US\$25 million (equivalent to HK\$243.8 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\$48.3 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.

MATERIAL ACQUISITIONS

No material acquisition were taken place during the Reporting Period.

Commitments

The contractual commitments of the Group were primarily related to the leases of its dance centres, kindergartens, pre-schools and office premises. The Group's operating lease commitments was recognised as lease liabilities in the Condensed Consolidated Statement of Financial Position in accordance with HKFRS 16 as at 30 June 2021 and 31 December 2020.

Treasury Policies

The Group adopts a conservative approach towards its treasury policies. The Group's credit risk is primarily attributable to debt investments, trade and other receivables, amounts due from related parties, and non-controlling shareholders of subsidiaries, pledged bank deposits and bank balances. In view of the business nature of the Group, the Directors considered that the credit risks of trade receivables at FVTOCI 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 organizational 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 balances are deposited with banks which have good reputation.

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

Charge on Group's Assets

As at 30 June 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 HK\$243,810,000 (31 December 2020: HK\$248,040,000).

The time deposits of HK\$343,000 (31 December 2020: HK\$10,703,000) were pledged to secure guarantees by banks issued to the landlords of properties leased by the Group for its own use.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Employees and Remuneration Policies

With an increase in the number of subsidiaries and dance centers, staff costs of the Group, including Directors' emoluments, were approximately HK\$60.8 million for the six months ended 30 June 2021 (six months ended 30 June 2020: approximately HK\$56.8 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.

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**").

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 in Hong Kong and overseas markets.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities or guarantees (31 December 2020: Nil).

OTHER INFORMATION

Disclosure of Interests

(a) *Interests of Directors and Chief executives*

As at 30 June 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors and chief executive	Nature of interest/ Holding capacity	Number of ordinary shares held	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 (Note 4)	1.84%
Ms. Yeung Siu Foon	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.84%

Notes:

- (1) As at 30 June 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.
- (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.

OTHER INFORMATION (CONTINUED)

Disclosure of Interests (continued)

(a) *Interests of Directors and Chief executives (Continued)*

Long positions in the Shares of the Company (Continued)

Notes: (Continued)

- (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 30 June 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) *Interests of Substantial Shareholders of the Company*

So far as is known to the Directors, as at 30 June 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 which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the Shares or underlying Shares of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of Shares/ underlying Shares	Percentage of interests in the Company's issued share capital
Wealthy Together	Beneficial owner	198,750,000 (Note 1)	51.68% (Note 2)
Hui Pui Cheung	Beneficial owner	56,044,000	14.57% (Note 2)
Chen Jiabin	Interest of a controlled corporation	28,000,000	7.28% (Note 2)
Tycoon Mind Limited	Beneficial owner	28,000,000	7.28% (Note 2)

Notes:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) As at 30 June 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.

Save as disclosed above, as at 30 June 2021, the Directors were not aware of any other persons (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTION SCHEME

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

The maximum number of shares which may be issued upon exercise of all share options to be granted under the 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 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 Circular, the Company proposes to seek the approval of the shareholders of the Company 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 of the Company at the 2019 May EGM.

SHARE OPTION SCHEME (CONTINUED)

Pursuant to the 2019 May EGM, the Company granted 24,787,000 share options (one share for each option) at an exercise price of HK\$1.10 per share on 4 October 2019 to the Directors, substantial shareholders of the Company and their associates, certain employees of the Company and its subsidiaries and 10,623,000 share options (one share for each option) at an exercise price of HK\$1.00 per share on 11 October 2019 to certain consultants of the Company, 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 4 October 2019 and 11 October 2019 respectively.

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 (one share for each option) at an exercise price of HK\$1.20 per share on 11 February 2020 to certain full-time employees of the subsidiaries of the Company and business partners and consultants of the Company, 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 consultants and full-time employees of the subsidiaries of the Company and 26,730,000 share options at an exercise price of HK\$0.80 per share on 15 June 2021 to certain employees, supplier and business partners of the Company, 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, 25 February 2020 and 15 June 2021 respectively.

SHARE OPTION SCHEME (CONTINUED)

As at 30 June 2021, the Company had 57,897,000 outstanding share options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 57,897,000 new Shares, details of movements of which are set out below:

Date of grant	Owners/Grantees	Number of share options					At 30 June 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	-	-	(1,500,000)*	-	980,000	1 January 2023 to 10 February 2023	1.20
	Consultants	2,100,000	-	-	-	-	2,100,000	11 February 2020 to 10 February 2023	1.20
	Business partner	1,000,000	-	-	-	-	1,000,000	11 February 2020 to 10 February 2023	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
15 June 2021	Employees	-	15,192,000	-	-	-	15,192,000	15 June 2021 to 14 June 2024	0.40
	Supplier	-	3,846,000	-	-	-	3,846,000	15 June 2021 to 14 June 2024	0.40
	Business partner	-	7,692,000	-	-	-	7,692,000	15 June 2021 to 14 June 2024	0.40
		32,667,000	26,730,000	-	(1,500,000)	-	57,897,000		

* During the six months ended 30 June 2021, an employee who was granted 1,500,000 options resigned from the position and left the Group.

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 six months ended 30 June 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 six months ended 30 June 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

The interim results during the Reporting Period are unaudited and not reviewed by the external auditors of the Company. The Company's Audit Committee, comprising Dr. Yuen Man Chun Royce, Mr. Chak Shi Shing and Dr. Hung Siu Ying Patrick, as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the six months ended 30 June 2021. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

BOARD OF DIRECTORS

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

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

Hong Kong, 10 August 2021