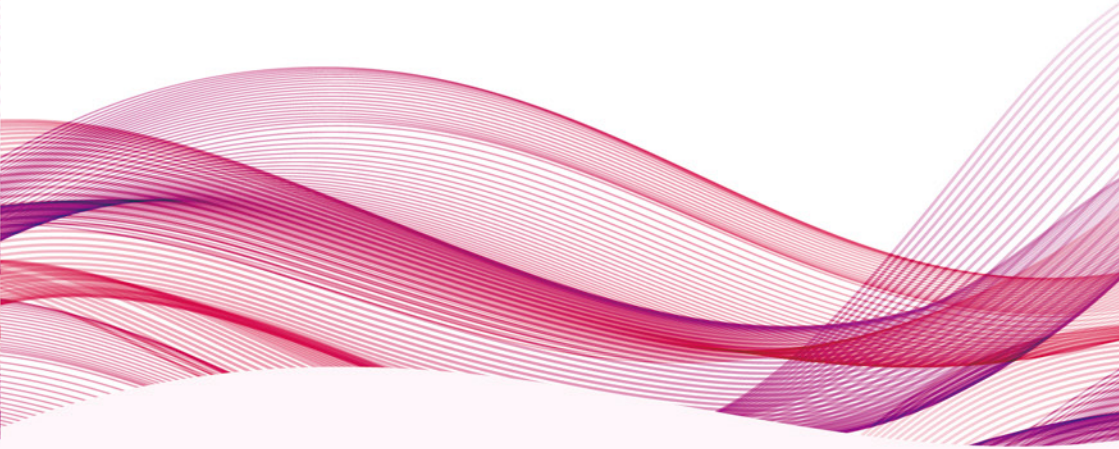


# SDM

Group Holdings Limited



## 2021 SDM

**THIRD QUARTERLY REPORT**  
**SDM Group Holdings Limited**

(Incorporated in the Cayman Islands with limited liability)

Stock code : 8363

## FINANCIAL HIGHLIGHTS

For the nine months ended 30 September 2021, unaudited operating results of the Company together with its subsidiaries (the “**Group**”) were as follows:

- revenue of the Group for the nine months ended 30 September 2021 was approximately HK\$138.4 million (2020: approximately HK\$107.8 million);
- results of the dance academy business and the early childhood education business of the Group started to turnaround since the second quarter of the year and were further improved during the three months ended 30 September 2021. During the nine months ended 30 September 2021, the segment profits of dance academy business and childhood education business were approximately HK\$8,972,000 and HK\$11,388,000, respectively;
- profit for the period attributable to owners of the Company for the nine months ended 30 September 2021 amounted to approximately HK\$88,182,000 (30 September 2020: loss of HK\$96,465,000); and
- basic profit per share for the nine months ended 30 September 2021 was approximately 22.4 HK cents (30 September 2020: approximately 26.9 HK cents).

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Group for the three months ended 30 September 2021 and the nine months ended 30 September 2021, together with comparative unaudited figures for the corresponding period in 2020, as follows:

### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021 (Unaudited)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
Revenue	4	46,773	38,218	138,413	107,751
Other income	5	22,016	20,695	39,991	39,452
Changes in inventories of finished goods		(472)	367	(292)	639
Finished goods purchased		(3,995)	(1,488)	(6,568)	(2,850)
Advertising and promotion expenses		(1,988)	(3,171)	(5,208)	(12,068)
Depreciation and amortisation		(13,922)	(18,632)	(44,125)	(51,662)
Rental expenses		-	256	-	(364)
Staff costs		(27,617)	(31,456)	(88,377)	(88,305)
Other operating expenses		(11,652)	(8,592)	(35,821)	(29,764)
(Loss)/gain on change in fair value of consideration payables		(2,343)	19,200	103,005	(53,600)
Finance costs	6	(3,654)	(2,833)	(11,624)	(8,305)
Share of profits/(losses) of an associate		(1)	38	55	206
Share of (losses)/profits of joint ventures		(763)	21	(443)	(1,293)
Profit/(loss) before taxation		2,382	12,623	89,006	(100,163)
Income tax credit	7	166	63	285	181
<b>Profit/(loss) for the period</b>		<b>2,548</b>	<b>12,686</b>	<b>89,291</b>	<b>(99,982)</b>

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

For the three months and nine months ended 30 September 2021 (Unaudited)

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) (Restated) HK\$'000
<b>Other comprehensive income/(loss)</b>					
Item that may be reclassified to profit or loss					
Change in fair value on financial assets at fair value through other comprehensive income, net of tax		-	(255)	-	(656)
Exchange differences arising on translation of foreign operations		4,522	(494)	6,270	459
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>4,522</b>	<b>(749)</b>	<b>6,270</b>	<b>(197)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>7,070</b>	<b>11,937</b>	<b>95,561</b>	<b>(100,179)</b>
<b>Profit/(Loss) for the period attributable to:</b>					
Owner of the Company		2,220	13,831	88,182	(96,465)
Non-controlling interests		328	(1,145)	1,109	(3,517)
		<b>2,548</b>	<b>12,686</b>	<b>89,291</b>	<b>(99,982)</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Owner of the Company		7,334	13,076	95,367	(96,653)
Non-controlling interests		(264)	(1,139)	194	(3,526)
		<b>7,070</b>	<b>11,937</b>	<b>95,561</b>	<b>(100,179)</b>
Earnings/(loss) per share:		<b>HK cents</b>	HK cents	HK cents	HK cents
Basic and diluted	8	<b>0.5</b>	3.9	22.4	(26.9)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 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). Its ultimate controlling party is Mr. Chiu Ka Lok, who is also the chairman of the Board and the 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 in Hong Kong; (ii) operation of kindergartens and preschools in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; and (iv) provision of photographic services for children 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 statement for the nine months ended 30 September 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 statement have been prepared on the historical costs basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical costs is generally based on the fair value of the consideration given in exchange for goods and services.

### 3. **ADOPTION OF NEW AND REVISED HKFRSS**

In the current period, the Group has adopted all the new and revised HKFRSSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. HKFRSSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSSs 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**

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. During the nine months ended 30 September 2021, with the completion of the acquisition of subsidiaries during the year ended 31 December 2020, new operating and reportable segments are considered by the chief operating decision maker ("**CODM**") (i.e. the chief executive officer of the Group) for the purpose of allocating resources to segments and assessing their performance focuses on types of goods or services delivered or provided. The details of each operating segments are set out below.

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 preschools 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 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Dance academy business	19,918	8,023	54,517	27,259
Early childhood education business	23,918	16,541	69,588	37,879
Adult education and training (Note)	(98)	10,274	6,273	34,660
Others				
— provision of swallowing and speech treatments	719	1,113	3,034	4,424
— provision of photographic services for children	2,316	2,267	5,001	3,483
— others	—	—	—	46
	<b>46,773</b>	38,218	<b>138,413</b>	107,751

Note: The negative amount is due to the change in foreign exchange rate of HK\$ against Australian Dollar.

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Segment revenues and results

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

For the nine months ended 30 September 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	54,517	69,588	6,273	8,035	138,413
Segment profit (loss)	8,972	11,388	(4,479)	3,016	18,897
Other income					945
Central corporate expenses					(27,631)
Share option expenses					(5,822)
Gain on change in fair value of consideration payable					103,005
Share of results of an associate					55
Share of results of joint ventures					(443)
Profit before taxation					89,006

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 income, central corporate expenses, share of results of an associate and share of results of 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)

##### Other segment information

For the nine months ended 30 September 2021

	Dance academy business HK\$'000	Early childhood education business HK\$'000	Adult education and training business HK\$'000	Others HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts credited (charged) included in the measure of segment results						
Interest income	-	14	43	-	533	590
Government grants and subsidies	3,763	4,140	-	44	103	8,050
Amortisation of intangible assets	(2,633)	(2,458)	-	(380)	-	(5,471)
Depreciation of property, plant and equipment	(2,880)	(2,946)	-	(54)	(74)	(5,954)
Depreciation of right-of-use assets	(17,208)	(14,282)	-	-	(1,210)	(32,700)
Loss on disposal of property, plant and equipment	(53)	-	-	-	-	(53)

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

##### Geographical Information

The Group's operations are located in Hong Kong, Singapore and Australia in the nine months ended 30 September 2021 (nine months ended 30 September 2020: 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 30 September		For the nine months ended 30 September	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Hong Kong	24,362	11,836	65,784	37,415
Singapore	22,509	16,108	66,356	35,676
Australia	(98)	10,274	6,273	34,660
	46,773	38,218	138,413	107,751

##### Information about major customer

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

#### 5. OTHER INCOME

During the period under review, the Group received grants and subsidies from the government and management service income of approximately HK\$8,050,000 (during the nine months ended 30 September 2020: HK\$16,397,000) and HK\$2,324,000 (during the nine months ended 30 September 2020: HK\$7,052,000) respectively.

## 6. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Interest on borrowings	2,417	244	2,525	573
Interest on corporate bonds	313	1,160	5,415	3,853
Interest on lease liabilities	924	1,429	3,684	3,879
	<b>3,654</b>	2,833	<b>11,624</b>	8,305

## 7. INCOME TAX CREDIT/(EXPENSE)

	For the three months ended 30 September		For the nine months ended 30 September	
	2021	2020	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Current tax				
— Hong Kong Profits Tax	(1)	—	(103)	—
— Singapore Corporate Income Tax ("CIT")	(135)	—	(525)	(5)
Deferred tax	302	63	913	186
	<b>166</b>	63	<b>285</b>	181

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%.

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.

## **7. INCOME TAX CREDIT/(EXPENSE) (CONTINUED)**

Singapore CIT is calculated at 17% (nine months ended 30 September 2020: 17%) of the estimated assessable profit CIT rebate of 25% capped at Singaporean dollars (“**S\$**”) 15,000 was also applicable for the Year of Assessment 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 for both Years of Assessment 2020 and 2021. 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 for both Years of Assessment 2020 and 2021.

No provision for corporate tax has been made for the Group’s operation in Australia for the nine months ended 30 September 2020 and 2021 as such operations incurred loss for taxation purpose for both periods.

## **8. 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 September 2021 and the profit for the nine months ended 30 September 2021 attributable to owners of the Company of approximately HK\$2,220,000 and HK\$88,182,000 respectively (2020: the profit for the three months ended 30 September 2020 and the loss for the nine months ended 30 September 2020 attributable to owners of the Company of approximately HK\$13,831,000 and HK\$96,465,000 respectively) and the weighted average number of ordinary shares of 409,084,000 and 392,851,000 (three months ended 30 September 2020 and nine months ended 30 September 2020: 358,100,000 and 356,231,000 respectively) in issue during the three months ended 30 September 2021 and nine months ended 30 September 2021 respectively.

### **Diluted earnings per share**

Diluted earnings per share for the three months ended 30 September 2021 for the nine months ended 30 September 2021 was the same as the basic loss per share.

As there were no dilutive potential shares during the three months ended 30 September 2020 and nine months ended 30 September 2020, the diluted loss per share were the same as basic loss per share.

## **9. DIVIDENDS**

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

## 10. RESERVES

	Share premium	Exchange reserve	Fair value reserve	Share options reserve	Other reserve	Accumulated losses (Restated)	Total (Restated)	Non-controlling interests	Total (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	66,892	544	119	8,647	508	(191,400)	(114,690)	(12,029)	(126,719)
Loss for the period (restated)	-	-	-	-	-	(96,465)	(96,465)	(3,517)	(99,982)
Exchange differences arising on translation to presentation currency	-	468	-	-	-	-	468	(9)	459
Change in fair value on financial assets through other comprehensive income	-	-	(656)	-	-	-	(656)	-	(656)
Profit (Loss) and total comprehensive loss for the period (restated)	-	468	(656)	-	-	(96,465)	(96,653)	(3,526)	(100,179)
Acquisition of subsidiaries	-	-	-	-	2,197	-	2,197	-	2,197
Issue of consideration shares	5,600	-	-	-	-	-	5,600	-	5,600
At 30 September 2020 (unaudited) (restated)	72,492	1,012	(537)	8,647	2,705	(287,865)	(203,546)	(15,555)	(219,101)
	Share premium	Exchange reserve	Fair value reserve	Share options reserve	Other reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	133,707	(5,868)	-	9,790	(2,080)	(502,132)	(366,583)	(2,534)	(369,117)
Profit for the period	-	-	-	-	-	88,182	88,182	1,109	89,291
Exchange differences arising on translation to presentation currency	-	7,185	-	-	-	-	7,185	(915)	6,270
Total comprehensive income for the period	-	7,185	-	-	-	88,182	95,367	194	95,561
Grant of share options	-	-	-	5,822	-	-	5,822	-	5,822
Issue of consideration shares	10,865	-	-	-	-	-	10,865	-	10,865
At 30 September 2021 (unaudited)	144,572	1,317	-	15,612	(2,080)	(413,950)	(254,529)	(2,340)	(256,869)

## 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 nine months ended 30 September 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 Business**”), (ii) early childhood education business in Hong Kong and Singapore (the “**Childhood Education Business**”) and (iii) two colleges in Australia (the “**College Business**”). Total revenue increased by approximately HK\$30.6 million from approximately HK\$107.8 million for the corresponding period in 2020 to approximately HK\$138.4 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\$35.7 million for the corresponding period last year to approximately HK\$66.4 million for the nine months ended 30 September 2021, representing an increase by approximately HK\$30.7 million or approximately 86.0% and (ii) Dance Academy Business in Hong Kong increased from approximately HK\$27.3 million for the corresponding period last year to approximately HK\$54.5 million for the nine months ended 30 September 2021, representing an increase by approximately HK\$27.2 million or approximately 99.6%.

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 of the Group was approximately HK\$88.4 million during the Reporting Period (2020: approximately HK\$88.3 million). No material fluctuation was noted as compared to last year.

Other operating expenses of the Group was approximately HK\$35.8 million during the Reporting Period (nine months ended 30 September 2020: approximately HK\$29.8 million), representing an increase of approximately 20.1% as compared to the corresponding period of 2020. The reason for the increase was mainly attributable to the cost-saving measures implemented by the Group and cessation of Audit 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\$88.2 million as compared to a loss of approximately HK\$96.5 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\$103.0 million (2020: loss on change in fair value of consideration payables of approximately HK\$53.6 million).

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Capital Structure

As at 30 September 2021, the authorised share capital of the Company was HK\$800,000,000, divided into 8,000,000,000 shares (the “Shares”) of HK\$0.1 each and the issued share capital of the Company was HK\$41,110,000 (31 December 2020: 38,460,000), divided into 411,100,000 shares of HK\$0.1 each (31 December 2020: 384,600,000 shares of HK\$0.1 each).

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).

As at 30 September 2021, the Group had outstanding convertible notes with carrying amount of approximately HK\$290.8 million (2020: HK\$289.7 million). The convertible note with face value of US\$25 million (equivalent to HK\$194.7 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\$49.8 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.

### Charges on the Group’s Assets

As at 30 September 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\$242,374,000 (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.

### Acquisition of subsidiaries

No material acquisitions were taken place during the Reporting Period.



## SIGNIFICANT INVESTMENTS

As at 30 September 2021, there were no significant investments held by the Group (31 December 2020: Nil).

### Future Plans for Material Investments and Capital Assets

Looking forward, the Group will use its endeavours 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 in Hong Kong and overseas markets.

## MATERIAL EVENTS AFTER THE REPORTING DATE

On 21 October 2021, the Company entered into the placing agreement with Nardo Capital (International) Limited ("**Nardo Capital**") as the placee, pursuant to which the Company agreed to let Nardo Capital to subscribe for 19,500,000 Shares at the price of HK\$0.40 per share under the general mandate granted to the Board to allot, issue and deal with the up to 76,920,000 new Shares at the annual general meeting of the Company held on 25 June 2021 (the "**General Mandate**") (the "**First Placing**"). Further details of this issue of new Shares are set out in the Company's announcements dated 21 October 2021, 28 October 2021 and 2 November 2021.

On 2 November 2021, the Company entered into the placing agreement with ACCP Global Limited ("**ACCP**") as the placee, pursuant to which the Company agreed to let ACCP to subscribe for 39,000,000 Shares at the price of HK\$0.40 per share under the General Mandate (the "**Second Placing**"). Further details of this issue of new Shares are set out in the Company's announcement 2 November 2021.

## MATERIAL EVENTS AFTER THE REPORTING DATE (CONTINUED)

### Contingent Liabilities

As at 30 September 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 September 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 dealings 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	251,750,000 (Note 2)	7,082,000	62.96%
Dr. Chun Chun	Beneficial owner and family interest	251,750,000 (Note 3)	7,082,000	62.96%
Mr. Chun Chi Ngon Richard	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.72%
Ms. Yeung Siu Foon	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.72%

## 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:

- (1) As at 30 September 2021, the total issued share capital of the Company was HK\$41,110,000 divided into 411,100,000 Shares of HK\$0.1 each.
- (2) Wealthy Together Limited (“**Wealthy Together**”), is wholly and beneficially owned by Mr. Chiu, an executive Director and the chairman of the Board. 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.
- (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 September 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 dealings 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 September 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 substantial 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)	48.35% (Note 2)
Hui Pui Cheung	Beneficial owner	52,398,000	12.75% (Note 2)
Chen Jiabin	Interest of a controlled corporation	28,000,000	6.81% (Note 2)
Tycoon Mind Limited	Beneficial owner	28,000,000	6.81% (Note 2)

Notes:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) As at 30 September 2021, the total issued share capital of the Company was HK\$41,110,000, divided into 411,100,000 Shares of HK\$0.1 each.

Save as disclosed above, as at 30 September 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.

## OTHER INFORMATION (CONTINUED)

### 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 (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 shares) (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 Share Option 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 in relation to "Proposal for Refreshment of Share Option Scheme Mandate Limit and Notice of Extraordinary General Meeting" (the "**Circular**"). Pursuant to the Circular, the Company proposes to seek the approval of the Shareholders to approve the Refreshment (as defined in the Circular) so that the total number of Shares (as defined in the 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 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 "**EGM**"). The Refreshment is approved by the Shareholders at the EGM.

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.

## OTHER INFORMATION (CONTINUED)

### Share Option Scheme (Continued)

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 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 30 September 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 September 2021	Exercise period	Exercise Price HK\$
		At 1 January 2021	Granted	Exercised	Lapsed	Cancelled			
4 October 2019	<b>Directors</b>								
	- Mr. Chiu Ka Lok	3,541,000	-	-	-	-	3,541,000	4 October 2019 to 3 October 2022	1.10
	- Mr. Chun Chi Ngan 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
	<b>Employees</b>	10,623,000	-	-	-	-	10,623,000	4 October 2019 to 3 October 2022	1.10

## OTHER INFORMATION (CONTINUED)

### Share Option Scheme (Continued)

Date of grant	Owners/Grantees	Number of share options					At 30 September 2021	Exercise period	Exercise Price HK\$
		At 1 January 2021	Granted	Exercised	Lapsed	Cancelled			
11 February 2020	Employees	2,480,000	-	-	(1,500,000) (Note 1)	-	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		

Note 1: During the Reporting Period, 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 Shareholders 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 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 the 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 of the controlling Shareholders 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 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 nine months ended 30 September 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 of Dealings**”). The Company had also made specific enquiry of all the Directors and each of the Directors have confirmed that each of them was in compliance with the Code of Conduct and Required Standard of Dealings during the Reporting Period. Further, the Company was not aware of any non-compliance with the Required Standard of Dealings regarding securities transactions by the Directors for the nine months ended 30 September 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 Company's Audit Committee, comprising Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Shi Shing as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the nine months ended 30 September 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. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Shi Shing, as the independent non-executive Directors.

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

Hong Kong, 12 November 2021