



2021 SDM

ANNUAL REPORT 年報

SDM Education Group Holdings Limited

SDM 教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號 : 8363

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Ms. Yeung Siu Foon

Independent Non-executive Directors

Dr. Yuen Man Chun Royce (resigned on 30 November 2021)
Mr. Chak Chi Shing
Dr. Hung Siu Ying Patrick
Dr. Kao Ping Suen (appointed on 28 February 2022)

COMPANY SECRETARY

Mr. Au Wai Keung

COMPLIANCE OFFICER

Mr. Chiu Ka Lok

AUTHORISED REPRESENTATIVES

Mr. Chiu Ka Lok
Mr. Chun Chi Ngon Richard

AUDIT COMMITTEE

Mr. Chak Chi Shing (*Chairman of Audit Committee*)
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)
Dr. Hung Siu Ying Patrick
Dr. Kao Ping Suen (appointed on 28 February 2022)

REMUNERATION COMMITTEE

Mr. Chak Chi Shing
(*Chairman of Remuneration Committee*)
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)
Mr. Chiu Ka Lok
Dr. Kao Ping Suen (appointed on 28 February 2022)

NOMINATION COMMITTEE

Mr. Chak Chi Shing
(*Chairman of Nomination Committee*)
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)
Mr. Chun Chi Ngon Richard
Dr. Kao Ping Suen (appointed on 28 February 2022)

AUDITORS

Zhonghui Anda CPA Limited
(Public Interest Entity Auditor registered in accordance
with the Financial Reporting Council Ordinance)

REGISTERED OFFICE

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Grand Cayman, KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman, KY1-1108
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301–4, 33/F.,
Two Chinachem Exchange Square,
338 King's Road, North Point
Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
United Overseas Bank
DBS Bank Limited

WEBSITE ADDRESS

www.sdm.hk

STOCK CODE

8363

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors (the "**Board**") of SDM Education Group Holdings Limited (formerly known as SDM Group Holdings Limited) (the "**Company**"), it is my pleasure to present the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021.

BUSINESS REVIEW

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong and childcare services in Singapore.

For the Group's dance academy business, to cope with the intense competition and economy unsteadiness in the recent years, the Group had developed more resources to promote brand image and maintain quality services in order to consolidate our leading position in the industry. During the year 2021, the Group had 23 wholly-owned dance centres (the "**Centres**"). Through the development of the Centres, the Group further enhanced the competitive strengths of the Group by increasing the geographical coverage in Hong Kong.

The Group's dance academy business in Hong Kong has received the fees from customers of approximately HK\$92 million during 2021, which represents an increase of approximately 100% as compared to approximately HK\$46 million for the whole year of 2020 and an all time high in the 15-year history of SDM Dance Academy. Attributing to the brand image and reputation and dance curriculum established by SDM in the past 15 years and the timely development strategies implemented by the management, the Company is able to gain the trust and support from students and parents even under the ongoing impact of the COVID-19 pandemic.

In view of the immense growth in the early childhood education sector in Singapore, the Group has acquired several companies in the region which are principally engaged in the early childhood business since June 2018. Up to the end of 2021, the Group had 15 pre-schools operated in Singapore. The Group believes that such acquisitions provide an excellent development platform and opportunity to establish its own early childhood education brand and curriculum in Singapore, which will maximize return for the Group and the Shareholders as a whole in the long term.

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

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

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

CHAIRMAN'S STATEMENT

FORWARD

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

The Group will continue to enhance the geographical coverage by opening and/or acquiring more dance centres in the future to strengthen our leading position in the industry. New centres will be located near populated residential areas in Hong Kong, in particular, in private housing estates, in areas close to a network of schools or which are currently without the presence of the Group's dance centres. In implementing the expansion plan, the Group will also consider to acquire existing dance centres from other players in the industry, if the right opportunity should arise, as the Group can be immediately benefited from the existing clientele base. In order to expand the dance academy business in Hong Kong, the Company has been preparing the grand opening of its dance centre located at LOHAS Park, which started operation subsequent to the year end, in February 2022. Other than opening new centres, the Company has continued to provide online dance classes to students as an alternative to on-site classes. In addition, the Company has renovated or relocated some dance centres to provide a better classroom environment to its students.

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

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

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my appreciation to our Shareholders, investors, business partners, suppliers, students and the parents for their continuous support and trust to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years. I look forward to a productive year in 2022 despite a challenging year ahead due to the outbreak of Coronavirus Disease 2019 ("COVID-19").

MANAGEMENT DISCUSSION AND ANALYSIS

INTRODUCTION

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

As at 31 December 2021, the Group had 23 wholly-owned dance centres, one kindergartens in Hong Kong, 15 pre-schools in Singapore. Besides offering wide range of dance courses for children generally between the age of 2 to 16, the Group also develops operations of day care centres, kindergartens and enrichment courses in Singapore. The vision of the Group is to provide social and life experience to children at a young age through their participation in dance courses and pre-school activities, thereby nurturing their social interaction skills and confidence.

BUSINESS REVIEW

Hong Kong

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

Singapore

Despite the outbreak of the COVID-19 pandemic since 2020, the school hours in Singapore were not affected to a large extent. The students continue having lectures and tutorials at school. Together with the Government support, the business performance for the education business and the Group’s early childhood education business in Singapore was only slightly affected by the outbreak of the COVID-19 pandemic. The Group has made a proper and wise decision in development of early childhood education business in Singapore.

During 2021, the Group has acquired one pre-school in Singapore. The enrollment of the Group’s pre-schools was stable even under COVID-19 pandemic, maintaining an average of around 60% utilization during the year. As at 31 December, the average number of enrollment was 1,000 out of total average capacity of 1,665. The Group is confident that enrollment will remain stable even under pandemic.

During 2020, several pre-schools of the Group have applied for the Government’s Childcare Partner Operator Scheme (“CPOP”) and has successfully entered into the program in 2021. This has greatly increased the competitiveness and reputation of the schools and expect to generate more student enrollments in coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

Australia

The outbreak of COVID-19 pandemic brought adverse impact to the business in Australia. As most of the customers are overseas students, the total number of students dropped significantly as a result of the boundary lockdown in Australia. This resulted in a significant and adversely affected the financial performance of the business in Australia. Under the current global situation, the Group is in the view that release of travel restrictions amongst different countries may still take a long period of time. In order to minimize costs and release the Group from future cash flow burden, the Group has ceased its operation in Australia in April 2021. However, the Group is still optimistic in the education market in Australia. The Group will not give up seeking opportunities in Australia if the haze of COVID-19 is eliminated and travel between different countries resumes to be normal.

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

FINANCIAL REVIEW

Continuing Operations

Revenue of the Group from continuing operations was mainly contributed by (i) dance academy business in Hong Kong (the "**Dance Academy Business**") and (ii) early childhood education business in Hong Kong and Singapore (the "**Early Childhood Education Business**").

Total revenue increased by approximately HK\$64.4 million from approximately HK\$114.2 million for 2020 to approximately HK\$178.6 million for 2021. The increase was mainly due to the contribution by the Dance Academy Business amounting to approximately HK\$29.1 million and by the Early Childhood Business amounting to approximately HK\$35.3 million. Such increase in revenues from Dance Academy Business was recorded as the business operations of dance centres were resumed to normal gradually in 2021. In 2020, they had been closed for several months due to the outbreak of COVID-19. The increase in revenues from Early Childhood Education was mainly contributed from the full-year operation of the flagship pre-school and a group of four pre-schools in Singapore. The former was opened in June 2020 and the latter was acquired in April 2020.

Other income of the Group from continuing operations was approximately HK\$51.7 million for the year ended 31 December 2021 (2020: HK\$51.8 million). Other income mainly comprises government grants, COVID-19-related rent concessions, franchise fee income, management fee income, performance and show income, examination and competition handling fee income and sub-lease income. The total of examination and competition handling fee income and performance and show income increased to approximately HK\$9.3 million for the year ended 31 December 2021 from HK\$0.3 million for 2020. The reasons were that dance examinations and performance and shows were held as normal operation in 2021.

The Group recorded a profit from continuing operations attributable to the Shareholders amounting to approximately HK\$49.4 million for the year ended 31 December 2021 while the Group recorded a loss attributable to the Shareholders amounting to approximately HK\$182.9 million for the year ended 31 December 2020. 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\$104.0 million (2020: loss on change in fair value of consideration payables of approximately HK\$108.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Discontinued Operations

As mentioned under "Business Review", the Group has ceased its business operations in Australia. The revenues from such business – Adult Education and Training Business was only approximately HK\$6.2 million for 2021 (2020: HK\$42.1 million) as it operated for less than four months and the enrollment was further reduced due to the COVID-19 lockdown in Australia. The profit from these discontinued operations attributable to the owners of the Group was approximately HK\$24.6 million for 2021 (2020: a loss of HK\$128.9 million). Such profit was contribution from the gain on fair value change on the convertible notes issued by the subsidiaries in this discontinued group amounted to approximately HK\$39.5 million for 2021 (2020: a loss of HK\$47.5 million).

Goodwill and Intangible Assets

As at 31 December 2021, the Group had goodwill and intangible assets in the carrying amount of HK\$99.7 million (2020: HK\$99.1 million) and HK\$70.6 million (2020: HK\$78.5 million) respectively. They are mainly arisen from the acquisition of subsidiaries since 2018. Purchase price allocation for the acquisitions is performed by an independent professional valuer to determine the values of goodwill and intangible assets at the date of acquisition.

Impairment assessment is made by the management at the end of the reporting period by comparing the recoverable amount of each cash-generating unit ("CGU") to the carrying amount. The recoverable amount of the relevant CGUs is determined based on a value in use calculation. Other than discount rate and terminal growth rate, other key assumptions related to the estimation of cash inflow and outflow which include projected revenues and operating expenses (e.g. selling expenses, rental expenses, staff costs and other general expenses). For the CGUs under the Early Childhood Education in Singapore, the overall projected revenue growth rate for the next five years is adjusted downward to 7% on average (2020: 19%) after taken the actual growth rate in 2021 and the prolong effects of COVID-19 into account. Other than that, there are no significant changes of assumptions.

Apart from those disclosed in Note 19 to the consolidation financial statements, reasonably possible change in the key assumptions on which the management had based its determination of the CGU's recoverable amount would not cause an impairment loss.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation through internally-generated cash flows, private funds, individual investors and banking facilities during the year. As at 31 December 2020, the total bank balances and cash of the Group amounted to approximately HK\$29.5 million (2020: approximately HK\$38.5 million).

There were bank and other borrowings of approximately HK\$54.8 million of which HK\$49.4 million and HK\$5.4 million were classified as current liabilities and non-current liabilities, respectively as at 31 December 2021 (2020: HK\$2.3 million under current liabilities).

The Group has issued a convertible note with a face value of US\$5.85 million (equivalent to HK\$45.6 million) which was classified as current liabilities with carrying amount of approximately HK\$16.9 million as at 31 December 2021 (2020: HK\$41.6 million). In addition, the Group has issued a convertible note with a face value of US\$25 million (equivalent to HK\$194.9 million). They are classified as current liabilities with carrying amount of approximately HK\$264.8 million as at 31 December 2021 (2020: HK\$248.0 million under non-current liabilities).

As at 31 December 2021, the current ratio (defined as total current assets divided by total current liabilities) was approximately 0.18 times as compared to 0.25 times as at 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

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

As at 31 December 2021 and 2020, the authorised share capital of the Company was HK\$800,000,000 divided into 8,000,000,000 shares of the Company of HK\$0.1 each ("**Share(s)**"). As at 31 December 2021, the issued share capital of the Company was HK\$45,760,000 divided into 457,600,000 shares (2020: HK\$38,460,000 dividend into 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 corporate bonds were fully settled in June 2021.

As at 31 December 2021, the Group had outstanding convertible notes with carrying amount of approximately HK\$281.8 million (2020: HK\$289.7 million). The convertible note with face value of US\$25 million (equivalent to HK\$194.9 million) carries interest at 8% per annum and will mature on 31 March 2023. The convertible note with face value of USD5.85 million (equivalent to HK\$45.6 million) carries interest at 8% per annum and will mature on 16 January 2024. The repayment of the convertible notes with face value of US\$25 million is guaranteed by the Company.

COMMITMENTS

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

Details of other commitments are set out in Note 41 to the consolidated financial statements.

MATERIAL ACQUISITIONS AND DISPOSALS

Details of material acquisitions and disposals are set out in Note 39 to the consolidated financial statements.

SIGNIFICANT INVESTMENTS

There was no significant investment held by the Group as at 31 December 2021 and 2020.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong. The Board is still looking for other investment opportunities aiming at exploring the feasibility of further expansion in dance institution business including but not limited to, the dance institution industry in Asia.

The Group has been proactive in seeking appropriate investment opportunities to expand its business scope and to diversify its existing business. The Group officially stepped foot on the mainstream education market overseas through its proposed acquisition of several pre-schools in Singapore since 2018 and its education business in Australia since 2019.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2021 and 2020.

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2021, as set out in Note 43 to the consolidated financial statements the Group has certain bank deposits, other receivables and deposits which has exchanged to foreign currency denominated in Renminbi (“RMB”), United States Dollar (“US\$”), Singapore Dollar (“S\$”) and Australian Dollar (“AU\$”) which may expose the Group to foreign currency risk. The Group was exposed to certain foreign currency exchange risks but it does not anticipate future currency fluctuations to cause material operational difficulties or liquidity problems. The Group currently had no foreign currency hedging policy. However, the management will monitor foreign exchange position and will consider appropriate action should the circumstances change.

TREASURY POLICIES

The Group adopts a conservative approach towards its treasury policies. The Group’s credit risk is primarily attributable to trade and other receivables, loans receivables, amounts due from related parties and non-controlling shareholders of subsidiaries, pledged bank deposits and bank balances. In the view of the business nature of the Group, the Directors considered that the credit risks of trade receivables are immaterial after considering the credit quality and financial ability of the relevant financial institutions and there is no history of delay or default in settlement by them as well as the good settlement records from students and organisational customers of the swallowing and speech treatment. The management considered there was no recoverability problem from the related parties of the Group. The pledged bank deposits and the bank balances are deposited with banks which have good reputation.

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

CHARGE ON GROUP’S ASSETS

As at 31 December 2020, the time deposits of HK\$10,703,000 were pledged to secure guarantees by banks issued to the landlords of properties leased by the Group for own use. During 2021, the time deposit was released to the landlords for settlement of rentals

In addition, the entire shares in SDM Asia Limited and SDM Australian Education Limited held by the Group were pledged as securities for the outstanding convertible notes with carrying amount of HK\$264.8 million (2020: HK\$248.0 million) and HK\$16.9 million (2020: HK\$41.6 million) respectively.

EMPLOYEES AND REMUNERATION POLICIES

With the increase in the average number of subsidiaries in Singapore, staff and teaching consultants services costs for the operations of the Group, including Directors’ emoluments, were approximately HK\$108.7 million for the year ended 31 December 2021 (2020: approximately HK\$86.0 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salaries, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Company has adopted a share option scheme and share options may be granted to eligible employees by reference to the Group’s performance as well as individual contribution.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL EVENTS AFTER THE REPORTING DATE

Details of events after the reporting period of the Group are set out in Note 48 to the consolidated financial statement.

USE OF PROCEEDS

In respect of the net proceeds of approximately HK\$39.5 million raised from the open offer in February 2017, up to the date of this report, the actual use of the proceeds is summarised as below. Unless otherwise stated, capitalised terms used therein shall have the same meanings as those defined in the Company's prospectus of 25 January 2017 and the Company's announcement dated 3 December 2019, 30 September 2020 and 23 September 2021.

As per the Company's announcement dated 3 December 2019, the Company has ceased the investment in Project B — establishment of a kindergarten in Tseung Kwan O and expected the Remaining Proceed will be fully utilised within three years from the date of that announcement in the development of early childhood education business, including but not limited to funding new investments and replenishing working capital for such business. The Company would review the cash resources of the Group and the usage of the proceed from fundraising from time to time. As aforementioned, the outbreak of COVID-19 in the beginning of 2020 has significantly affected the performance of the Company, especially the Dance Academie Business and Adult Education and Training Business and hence the cash resource of the Group. According to the Annual Report 2020, the Group's cash and cash equivalents dropped significantly from HK\$66.4 million as at 31 December 2019 to HK\$38.5 million as at 31 December 2020. The Company has been closely reviewing business performance and available cash resources of the Group. In view of such change, the Company found that it is more appropriate to reserve the Remaining Proceed for replenishing working capital for the Dance Academie Business and for central corporate expenses for the fourth quarter of 2021 instead of making further investments at current uncertain economic environment. In particular, it is more appropriate to use it for payments of rentals and salaries which are the main operating costs of the Group. On 23 September 2021, the Board has therefore resolved to allocate the Remaining Proceed for the following usages.

HK\$' million

For business operation in Hong Kong

Rents and related charges	10.0
Staff costs	6.1
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Total	16.1
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MANAGEMENT DISCUSSION AND ANALYSIS

The actual of proceed up to the date of change of use of the Net Open Offer Proceed is as follows:

Project A – for establishment of a kindergarten in Kowloon Tong

	Planned use of the Net Open Offer Proceeds as stated in the Prospectus HK\$'million	Amount utilised in prior financial years HK\$'million	Amount utilised during the year ended 31 December 2021 HK\$'million	Total amount utilized up to the date of this report HK\$'million
Professional fee of relevant compliance procedure	3.4	3.4	–	3.4
Payment of rental expenses	2.9	9.3	–	9.3
Renovation of the kindergarten	1.2	1.2	–	1.2
Purchase of furniture and equipment	1.1	0.3	–	0.3
Other operating expenses for the opening of the kindergarten	1.4	1.4	–	1.4
Total	10.0	15.6	–	15.6

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

	Planned use of the Net Open Offer Proceeds as stated in the Prospectus HK\$'million	Amount utilised in prior financial years HK\$'million	Amount utilised during the year ended 31 December 2021 HK\$'million	Total amount utilized up to the date of this report HK\$'million
Deposit paid for renovation of the kindergarten	11.3	1.0	–	1.0
Payment of rental deposit	10.8	6.6	–	6.6
Purchase of furniture and equipment	3.2	–	–	–
Other operating expenses for the opening of the kindergarten	4.7	0.2	–	0.2
Total	30.0	7.8	–	7.8

As at 31 December 2021, the Remaining Proceed was fully utilised for payments of rents and related charges and staff costs as per the intended usage.

CORPORATE GOVERNANCE REPORT

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the "**Code of Conduct**") on terms no less exacting than the required standards of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard Dealings**"). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings throughout the year under review. Further the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the year under review.

THE BOARD OF DIRECTORS

As at 31 December 2021, the Board comprised six Directors, including three executive Directors, namely Mr. Chiu Ka Lok and Mr. Chun Chi Ngon Richard and Dr. Chun Chun, the one non-executive Director is Ms. Yeung Siu Foon, and the two independent non-executive Directors are Dr. Hung Siu Ying Patrick and Mr. Chak Chi Shing.

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

RESPONSIBILITIES OF THE BOARD

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

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

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors are set out in the section headed “**Biographical Details of Directors and Senior Management**” on pages from 37 to 40 of this report.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the CG Code, the roles of Chairman and CEO should be separate and should not be performed by the same individual. During the year ended 31 December 2021, the roles of the Chairman and the CEO are segregated and was held by Mr. Chiu Ka Lok and Mr. Chun Chi Ngon Richard respectively. There is clear division of responsibilities between the Chairman and CEO which provides a balance of power and authority.

BOARD DIVERSITY POLICY

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

Summary of the Board Diversity Policy

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

Measurable Objectives

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

Implementation and Monitoring

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

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

CORPORATE GOVERNANCE REPORT

BOARD MEETING

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

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

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

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

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

Participation of individual Directors at Board meetings in 2021 is as follows:

Name of Directors	Number of attendance/ number of Board meetings since respective appointment date
Number of meetings	6
Executive Directors:	
Mr. Chiu Ka Lok	6/6
Mr. Chun Chi Ngon Richard	6/6
Dr. Chun Chun	6/6
Non-executive Director:	
Ms. Yeung Siu Foon	6/6
Independent non-executive Directors:	
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)	5/5
Mr. Chak Chi Shing	6/6
Dr. Hung Siu Ying Patrick	6/6

CORPORATE GOVERNANCE REPORT

GENERAL MEETING

For the year ended 31 December 2021, the attendance record of each Director at general meetings is as follows:

Name of Directors	Number of attendance/number of general meeting since respective appointment date
Mr. Chiu Ka Lok	1/2
Mr. Chun Chi Ngon Richard	2/2
Dr. Chun Chun	2/2
Ms. Yeung Siu Foon	2/2
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)	2/2
Mr. Chak Chi Shing	2/2
Dr. Hung Siu Ying Patrick	2/2

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

BOARD COMMITTEES & CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

Audit Committee

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

CORPORATE GOVERNANCE REPORT

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

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

The Audit Committee held 5 meetings during the year. The Group's unaudited quarterly results for the three months ended 31 March 2021 and the nine months ended 30 September 2021, unaudited interim results for the six months ended 30 June 2021 and audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. Grant Thornton Hong Kong Limited resigned from the office of auditor of the Company with effect from 17 December 2021. The Audit Committee has received the proposal for change of auditors to Zhonghui Anda CPA Limited. The Board, with the recommendation from the Audit Committee, has resolved to appoint Zhonghui Anda CPA Limited as the auditor of the Company to fill the casual vacancy following the resignation of Grant Thornton Hong Kong Limited and to hold office until the conclusion of the next annual general meeting of the Company.

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

Name of Directors	Number of attendance/number of meetings since respective appointment date		
	Audit Committee	Remuneration Committee	Nomination Committee
Number of meetings	5	1	1
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)	4/4	1/1	1/1
Mr. Chiu Ka Lok	–	–	1/1
Mr. Chun Chi Ngon Richard	–	1/1	–
Mr. Chak Chi Shing	5/5	1/1	1/1
Dr. Hung Siu Ying Patrick	5/5	–	–

The Directors acknowledge their responsibilities for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. The Directors have selected appropriate accounting policies and applied them consistently; made judgement and estimate that are prudent and reasonable. As at 31 December 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern as details set out in Note 2 to the Consolidated Financial Statements. The Directors' responsibilities in the preparation of the consolidated financial statements and the auditors' responsibilities are set out in the Independent Auditor's Report from pages 53 and 54 of this report.

CORPORATE GOVERNANCE REPORT

Remuneration Committee

The Remuneration Committee of the Company was established on 26 September 2014 in accordance with CG Code. The Remuneration Committee currently comprises one executive Director, namely Mr. Chiu Ka Lok and two independent non-executive Director, namely Mr. Chak Chi Shing and Dr. Kao Ping Suen. Mr. Chak Chi Shing is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

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

Details of the Directors' emolument and remuneration paid to the senior management (excluding the Directors) for the year ended 31 December 2021 are set out in Note 16 to the consolidated financial statements.

Nomination Committee

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

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

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

CORPORATE GOVERNANCE REPORT

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

All our Directors are encouraged to participate in continuing professional development seminars and/or courses to update their skills and knowledge on the latest development or changes in the relevant statutes, GEM Listing Rules and corporate governance practices. The Company provides continuing briefings and professional development to Directors to update on the latest development in relation to the GEM Listing Rules and other applicable regulatory requirements as well as the Group's business and governance. The relevant materials were also sent to the Directors who were not available to attend the briefing session for their information. A summary of the continuous professional developments in relation to regulatory update, the duties and responsibilities of the Directors and the business of the Group received by the Directors for the year ended 31 December 2021 is as follows:

Name of Directors	Training on corporate governance, regulatory development and Directors other relevant topics
Executive Directors:	
Mr. Chiu Ka Lok	✓
Mr. Chun Chi Ngon Richard	✓
Dr. Chun Chun	✓
Non-executive Director:	
Ms. Yeung Siu Foon	✓
Independent non-executive Directors:	
Dr. Yuen Man Chun Royce (resigned on 30 November 2021)	✓
Mr. Chak Chi Shing	✓
Dr. Hung Siu Ying Patrick	✓

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

- (a) the Group has an internal audit function;
- (b) the risk management and internal control systems are reviewed annually; and
- (c) a review of the effectiveness of the risk management and internal control systems has been conducted and the Group considers them effective and adequate.

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

AUDITORS' REMUNERATION

The fees in respect of audit services provided by the independent auditors to the Group for the year ended 31 December 2021 amounted approximately HK\$1,600,000 (2020: approximately HK\$4,280,000). Non-audit services incurred during the year was nil (2020: approximately HK\$32,000).

COMPANY SECRETARY

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

Mr. Au Wai Keung ("**Mr. Au**") is the Company Secretary who is an external service provider and its primary corporate contact person at the Company is Mr. Chiu Ka Lok, Chairman of the Company. Mr. Au has taken no less than 15 hours of relevant professional training for the year ended 31 December 2021.

SHAREHOLDERS' RIGHTS

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

CORPORATE GOVERNANCE REPORT

Right to Convene Extraordinary General Meeting

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

- (a) any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company (the “**Eligible Shareholder(s)**”) carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an EGM to be called by the Board for the transaction of any business specified in such requisition;
- (b) eligible Shareholders who wish to convene an EGM must deposit a written requisition (the “**Requisition**”) signed by the Eligible Shareholder(s) concerned to the head office and principal place of business of the Company in Hong Kong at Room 202B, 2/F, Liven House, 61–63 King Yip Street, Kwun Tong, Hong Kong or Hong Kong branch share registrar and transfer office of the Company, Union Registrars Limited, Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for the attention of the Board and/or the Company Secretary;
- (c) the Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding, the reason(s) to convene an EGM and the details of the business(es) proposed to be transacted in the EGM, and must be signed by the Eligible Shareholder(s) concerned together with a deposit of a sum of money reasonable sufficient to meet the Company’s expenses in serving the notice of the resolution and circulating the statement submitted by the Shareholders concerned in accordance with the statutory requirements to all the registered shareholders;
- (d) the Requisition will be verified with Hong Kong branch share registrar and transfer office of the Company and upon their confirmation that the Requisition is proper and in order, the Board will convene an EGM by serving sufficient notice in accordance with the requirements under the Articles to all the registered Shareholders. On the contrary, if the Requisition has been verified as not in order or the Shareholders concerned have failed to deposit sufficient money to meet the Company’s expenses for the said purposes, the Eligible Shareholder(s) concerned will be advised of this outcome and accordingly, the Board will not call for an EGM; and
- (e) if within 21 days of the deposit of the Requisition, the Board fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Right to Put Forward Proposals at General Meetings

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

Right for Raising Enquiries to the Board

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

CORPORATE GOVERNANCE REPORT

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

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

DIVIDEND POLICY

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

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

INVESTORS RELATIONS

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

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

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

This ESG report mainly covers the major activities of the Group in Hong Kong and Singapore presenting our sustainability approach and performance in environmental and social aspects of our business for the reporting period from 1 January 2021 to 31 December 2021 (“**This Year**”). The Key Performance Indicators (“**KPI**”) disclosure of This Year will be focused on our head office, dance centres and childcare centres. The Group continues strengthening information collection in order to enhance our performance in environmental realm and to disclose relative information of sustainable development.

ABOUT THE REPORT

The Group contributes to sustainable development by delivering environmental, social and economic benefits to all stakeholders in a balanced way. The Group is pleased to present the environmental, social and governance report (the “**ESG report**”) for the year ended 31 December 2021 for the purpose of demonstration of its efforts on sustainable developments to the stakeholders.

This ESG report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in the Appendix 20 to the Listing Rules and is divided into two parts, namely environmental and social. The basis of reporting principles – materiality, quantitative and consistency:

- “Materiality” Principle: Materiality assessment was conducted and reviewed annually to assess the relative importance of the ESG topics identified. Topics that are relevant and important to the operation of the Group and stakeholders must be covered in this Report.
- “Quantitative” Principle: If the key performance indicators (KPIs) have been established, they must be measurable and applicable to valid comparisons under appropriate conditions.
- “Consistency” Principle: ESG data presented in this Report are prepared using consistent methodologies over time unless otherwise specified either in text or footnote.

The management and staff of the Group’s respective major functions have participated in the preparation of this ESG Report to assist the Group in identifying relevant and material ESG issues.

This report is designed to enable the shareholders, investors (including potential investors) and the public to have a more comprehensive understanding of the Company’s corporate governance and culture. The Company is willing to take up more social responsibilities in order to maintain the balance between the interest of shareholders and social benefits. Data contained in this report is derived from various Company’s documents and reports, as well as summary and statistical data provided by the Company’s subsidiaries.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

BOARD STATEMENT AND GOVERNANCE STRUCTURE

Our Board has an overall responsibility for overseeing and determining our Group's environmental, social, and climate-related risks and opportunities impacting our Group, establishing and adopting the ESG Policy and targets of our Group, and reviewing our Group's performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

As one of the recognized education providers in the industry, the Group values sustainable practices in its business operation. We believe that taking responsibility for the environment and society is the key to enhance the sustainability of the business and bring long-term value for both shareholders and stakeholders of the Group.

We consider ESG commitment as a part of our corporate social responsibility and we pledge to embed ESG considerations into our decision-making process. To achieve This, we have developed the Group Sustainability Committee. The Committee manages and monitors sustainability performance, targets, and implement improvement processes.

Group Sustainability Committee, comprising of management team in operation related department and management team in Administration & HR department. Management team in operation related department is mainly responsible for monitoring the staff awareness on waste reduction, while the management team in Administration & HR department is mainly responsible for the labor practice, green procurement, staff training, and community investment. The Group Sustainability Committee serves as a supportive role to our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of environmental-related, climate-related, social-related risks and assess how our Group adapts its business in light of climate change; collecting ESG data from different parties while preparing for the ESG report; and continuously monitoring of the implementation of measures to address our Group's ESG-related risks. The Group Sustainability Committee has to report to our Board on an annual basis on the ESG performance of our Group and the effectiveness of the ESG systems.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

The management and staff of the Group have participated in the preparation of the ESG Report to assist the Group in reviewing the operations and identifying relevant ESG issues. Materiality assessment has been conducted to assess the importance of related matters to the businesses and stakeholders. To identify potential material topics for disclosure in the Report, we adopted the disclosure topics of the ESG Reporting Guide. Based on the assessed significant ESG issues, information was collected from relevant departments of the Group and approved by the Board.

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

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

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

ESG Aspects as set forth in ESG Guide	Material ESG issues for the Group
(A) Environmental	
A1 Emissions	Emission from town gas or Vehicle Non-Hazardous Waste
A2 Use of Resources	Use of energy
A3 Environment and Natural Resources	Air Quality
A4 Climate Change	Climate Change Mitigation & Adaption
(B) Social	
B1 Employment and Labour Practices	Labour practices
B2 Health and Safety Workplace health and safety	Workplace health and safety
B3 Development and Training Employee development and training	Employee development and training
B4 Labour Standards Anti-child and forced labour	Anti-child and forced labour
B5 Supply Chain Management	Supply chain management Green Procurement
B6 Product Responsibility Product	Product responsibility Intellectual Property
B7 Anti-corruption	Anti-corruption
B8 Community Involvement	Community programs, employee volunteering and donation

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

STAKEHOLDER COMMUNICATION

The Group emphasises communication with stakeholders and strives to understand their requirements and aspirations. Therefore, the Group has a variety of channels that allow different stakeholders to share their opinions and demands on its operation and performances on topics covering the environmental, social, and governance aspects. Our major stakeholders include Regulators, Employees, Investors, Supplier and Community. The table below is an overview of our communication channels with our major stakeholders.

Relevant Stakeholder	Engagement Ways	Purpose
Regulators	To request listing companies to comply with Listing Rule Appendix 20	To facilitate (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities; (ii) ESG strategy formation procedures; (iii) ESG risk management and monitoring; (iv) the identification of key performance indicators (“ KPIs ”); and (v) the relevant measurements and mitigating measures.
Employees	To implement the ESG policy set out by the management	To promote well-being in the workplace, which is crucial to long-term performance. The Company seizes the opportunities to improve workplace conditions and avoid occupational hazards, take into account public health issues and address weaknesses and shortcomings.
Investors	To put influence on the management for ESG target setting and implementation.	To minimize risk caused from ESG, to enhance corporate value while achieving a stable and long-term growth for the benefit of its shareholders.
Suppliers	The Company has established a Code of Conduct for its suppliers.	To share the Company’s commitment to honesty and integrity, and integrate social, environmental, and sustainability policies into their business processes.
Community	By making donation	The Company supports the development of social and solidarity-based companies and is committed to improve education, health, culture and social supportiveness.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

A. ENVIRONMENTAL POLICY AND COMPLIANCE

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

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

A1.1 Emissions Data from Gaseous Fuel Consumption

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

- (a) Since the Company did not have town gas consumption during This Year, no emissions data applied.
- (b) The Company has owned motor vehicle during This Year, the emissions data from vehicle applied are set out below:

	2021	2020	Unit
NOx	1,400	1,925	Grams
SOx	76	94	Grams
PM	103	142	Grams
Total	1,579	2,161	Grams

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

A1.2 Greenhouse Gas Emission

	2021	2020	Unit
Scope 1			
Direct emission	12,206	38,692	KgCO ₂ e
Scope 2			
Indirect emission	250,791	437,156	KgCO ₂ e
Scope 3			
Other indirect emission	559,443	132,531	KgCO ₂ e
Total	822,440	608,379	KgCO ₂ e

During This Year, there was 822,440 KgCO₂e (2020: 608,379 KgCO₂e) of greenhouse gases emissions (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation. As the development of COVID-19, there was a significant decrease of Indirect emission. Other indirect emission increase mainly from the use of paper. Total no. of facilities¹ for the Group was 41 in 2021 (2020: 48). The annual emission intensity was 20,059 KgCO₂e/facility (2020: 12,675 KgCO₂e/facility).

Objection

The Group's objection is to achieve 15% reduction of emission by 2031 from the base year of 2021 (scope 1,2 & 3).

To achieve the objective, following energy saving measures are adopted:

- installation of an energy-saving lighting system,
- set optimal temperature on the air-conditioning
- switch-off the lighting and air-conditioning after office hours.

Note 1. Total no. of facilities in 2021 includes one head office, 23 self-operated dance centres, 1 kindergarten in Hong Kong; one headquarter and 15 childcare centres in Singapore;

A1.2 Hazardous Waste

The Group does not generate any hazardous wastes, including chemical wastes, clinical wastes, and hazardous chemicals, in the ordinary course of business.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

A1.3 Non-hazardous Waste

Non-hazardous waste produced from the operations of the Group is mainly comprised of general office consumables which have no significant impact on the environment.

During This Year, the Group generated 557.1 tonnes non-hazardous waste in its operation. Non-Hazardous waste from the Group's operations was mainly office paper.

The Group's objection is to achieve 15% reduction of non-hazardous wastes by 2031 from the base year of 2021 (scope 1,2 & 3). Accordingly, following measures are adopted:

- provide education and training relating to reduce, recycle, reuse, and replace will be provided to our employees.
- advocates employees to reduce the usage of papers by encouraging internet communication
- assess the necessity of printing
- apply duplex printing,
- reuse any single-sided printed papers where appropriate.

A2.1 Use of resource

Energy

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

	2021	2020	Unit
Electricity	675,888	951,263	kWh
Electricity consumed per facilities	16,485	19,818	kWh/Facility
Petrol	5,169	6,412	Liter
Petrol consumed per facilities	126	134	Liter/Facility
No. of facilities	41	48	Facility

Water

The total water consumed is set out below:

	2021	2020	Unit
Water consumed	8,025	7,860	M ³
No. of facilities	41	48	Facility
Water consumed per facilities	195.7	163.7	M ³ /Facility

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

As shown as the data above, the water consumption of the Group is limited and we did not encounter any significant issue in sourcing water due to the business nature. So, we will not set a target for water consumption. However, we still have some measures to control water consumption in order to contribute to the environmental protection. For example, employees are reminded to turn off the faucet tight after use, required to report leaking faucet or pipe to the relevant authority in a timely manner. Moreover, pantry and toilets are posted with environmental messages to remind employees of water conservation.

Packaging Material

Due to the business nature of the Group, the management believe that it is not applicable to the Group.

A3 Environmental and Natural Resources

Air Quality

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

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

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

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

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

A4 Climate Change

Climate change and global warming are the major environmental concerns in the world. Despite having no significant impact on the Group's businesses, the Group still strives to put forward environmental conservation and raise the environmental awareness of the employees.

Since the major business nature of the Group is Education, climate change does not have significant impacts on the business directly. With a higher temperature in the future, the Group may need to allocate more spending on cooling.

On the other hand, the Group may experience productivity loss due to increased extreme weather, like typhoons and heavy rain. The Group will review the existing measures for adverse weather conditions and ensure the safety of the employees.

B. SOCIAL

B1 Employment and Labour Practices

Employment

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

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

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

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

There were no non-compliance cases noted in relation to employment and labour standards laws and regulations for This Year. As at 31 December 2021, the Group employed a total of 462 (2020: 517) staffs, including operating staffs in dancing center, kindergarten, childcare centres and management and supporting staffs in head quarter. All staff members are allocated in Hong Kong and Singapore. The employee compositions by gender, age group, employment type and geographical region were as follows:

Employee Structure		Number of employees as at 31.12.2021	Percentage of employees as at 31.12.2021
Total number of employees		462	100%
By gender	Male	24	5%
	Female	438	95%
By age	Aged <30	118	26%
	Aged 31-50	251	54%
	Aged >50	93	20%
By employment type	Senior level	53	12%
	Middle level	339	73%
	Junior level	70	15%
By geographical region	Hong Kong	143	31%
	Singapore	319	69%

Promotion and Dismissal

The promotion of the Group's employees is subject to review regularly. The Group has established objective performance indicators for annual performance evaluation. Since we value the skill and experience of our staff, the Group intends to adopt a policy that any promotions will be considered internally first before hiring any outside staff. It is the Group's policy to select the most suitable candidate for appointment to a higher rank based on merit, rather than on the seniority of the candidates. Staff salary payment and promotion will be measured against their progressive performance level, contribution, and achievement against the objectives set by the Group.

The Group was not aware of any material non-compliance with laws and regulations relating to employment and labour practices that had a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare for the Reporting Period.

Any termination of employment contract should be based on reasonable, lawful grounds and internal policies, such as the Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have unsatisfactory working performance or repeatedly made mistakes, the Group would give verbal warning before issuing a warning letter. For those who show no improvement, the Group would consider dismissing the employees according to the relevant laws in Hong Kong and Singapore.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

The following table sets for the turnover rates of the Group's employees for the Reporting Period by gender, age group and geographical region.

Summary of Employee Data		Number of employees resigned in Year 2021	Turnover rates
By gender	Male	7	2%
	Female	175	38%
By age	Aged <30	58	13%
	Aged 31-50	103	22%
	Aged >50	23	5%
By geographical region	Hong Kong	75	16%
	Singapore	107	23%

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

B2 Employee Health and Safety

To safeguard employees' occupational health and safety, the Group continues focusing on providing a safe, healthy and comfortable environment for its employees to avoid any accident and complies with the relevant laws and regulations.

To ensure the health and safety of the employees, the Group maintains the risk management system including identification, prevention and management of risks and hazards throughout the workplaces as well as follow-up actions for accidents or personal injuries. The Group has taken the following measures:

- maintain a clean and safe working environment which poses no threat to health under the Group's control;
- irregularly participate in occupational health and safety related seminars; and
- conduct fire drills and emergency evacuation simulations to raise employees' awareness of fire prevention and to equip employees with appropriate knowledge and skills in the event of emergency.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

(a) Occupational Health and Safety Data

During the Reporting Period, the Group did not record any work-related injury or fatality of employees, nor any lost days due to work injury. In other words, a zero-fatality rate is recorded for three years. There were no non-compliance cases noted in relation to health and safety laws and regulations during This Year.

B3 Development and Training

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

There were 69% of employees received training in This Year. The total of 1,595 training hours were conducted in the reporting period, and trainings hours (categorized by gender and employee category) are shown below:

Occupational Training Data		Year 2021
Percentage of employees trained by Gender	Male	13%
	Female	72%
Percentage of employees trained by Category	Senior Level	53%
	Middle Level	77%
	Junior Level	43%
Average Training Hours of Employees by Gender	Male	5
	Female	5
Average Training Hours of Employees by Category	Senior Level	5
	Middle Level	5
	Junior Level	5

B4 Labour Standard

The Group follows the Employment Ordinance, Chapter 57 of the Laws of Hong Kong in terms of employment management. To prohibit the use of child and forced labour strictly, well-established recruitment policies are adopted. Policies include verifying the identity documents of all applicants by human resources department during the recruitment process to ensure that our employees are all above the minimum legal working age and no forced labour is hired. In case any irregularities in ages, identities and/or validities of employment status are found, employment will be terminated immediately, and the Group will report the incident to relevant authorities.

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

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

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

B5 Supply Chain Management

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

The Group selects qualified suppliers carefully to ensure that the entire production process is in line with its standards and rules. The Group carries out inspections and assessments regularly on suppliers' standards and will terminate collaboration with unqualified suppliers.

Green Procurement

Regarding green supply chain management, the Group prefers local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy. During the Year, the Group worked with 12 major suppliers, in Hong Kong and 25 major suppliers in Singapore.

B6 Product Responsibility

Due to the education business nature of the Group, there were no products sold or shipped. During the Reporting Period, there were no material recalls, significant complaints against the service.

Consumer Data Protection and Privacy Policies

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

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

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

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

Intellectual Property

The Group attaches importance on intellectual property rights and has developed policies in accordance with all applicable legal requirements to prohibit intellectual property infringement. As at 31 December 2021, the Group has registered 10 trademarks of the Company logo in Singapore and 13 trademark in Hong Kong. The Group regularly monitors to ensure that intellectual property rights are not being infringed upon. The Group has not encountered any material breaches of relevant laws and regulations relating to privacy and intellectual property rights in the reporting year.

B7 Anti-corruption

During This Year, there was no non-compliance in relation to corruption or money laundering related laws and regulations.

The Group believes that as a trusted education provider, ensuring the trust and integrity exist and building sound reputation are crucial in our business. All staff members are expected to fully adhere to the Group's value, which is in compliance with the laws and regulations of the jurisdictions where the Group operates, including:

- law of the People's Republic of China on Anti-Money Laundering (中華人民共和國反洗錢法);
- anti-Corruption Law of the People's Republic of China (中華人民共和國反腐敗法);
- anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong); and
- prevention of Bribery Ordinance (Chapter. 201 of the Laws of Hong Kong)

We have an established procedure for dealing with students, parents and business partners. The Group emphasizes integrity and prevents unethical pursuit from occurring in complying with relevant laws and regulations. To ensure there will not be any form of corruption, we implemented whistle blowing channels and provide anti-corruption training to our employees.

Whistle-Blowing Channels

The Group has established a whistleblowing mechanism to maintain integrity and transparency of the Group. The Group also encourages employees and all business-related parties, including parents, to proactively report any suspected misconduct issues (such as negligence, corruption and bribery, etc.) anonymously to the management of the Group by telephone or email. Management will handle the report promptly, fairly and confidentially. On the other hand, the whistleblowing mechanism also ensures that whistle-blowers will not be treated unfairly and will not be dismissed or disciplined without a proper reason.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORT

Anti-corruption training

In our employee onboarding process, training regarding the anti-corruption is provided to provided. The content of the training include but no limit to definition of corruption, types of corruption, details about whistle-blowing system and the consequence of conducting corruption.

B8 Community Involvement

The Group engaged in the community by focusing mainly on education. Through jazz and ballet, pop dance and dancing shows, the Group encourages children to build up positive energy, realize their potential and share their passion for dancing with the others in the society.

In addition, the Group does not only focus on individual activities, but is also pay attention on the society.

During This year, in the development of the COVID-19, no social activities were held during the reporting period. In This Year, the Group keep made donation to charity. The Group had made HK\$8,500 donation to Hong Kong St. John Ambulance and made HK\$250,000 donation to Hong Kong Shine Tak Foundation in This Year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Chiu Ka Lok (趙家樂) (“Mr. Chiu”), aged 46, is our chairman and executive Director. He was appointed as our Director on 12 February 2014 and was re-designated as an executive Director on 24 March 2014. Mr. Chiu is also the member of the remuneration committee of the Company. Mr. Chiu founded our Group in May 2006. Mr. Chiu is primarily responsible for the overall corporate strategies, management and business development of our Group. Prior to establishing Shelly De Mozz, Mr. Chiu was engaged in the production and sales of education software to primary and secondary school teachers. Mr. Chiu was awarded the “Quality Education Fund” from the Government of Hong Kong in 1997 for a “Teachers Learning Programme” project. Since then, Mr. Chiu has continued to develop his career and team in the education industry. Mr. Chiu has approximately ten years of experience in children education and management. Mr. Chiu is the chief executive officer of the Hong Kong Speech and Swallowing Therapy Centre, a company principally engaged in providing swallowing and speech treatment, responsible for business development. He was also a director of Pok Oi Hospital, a charitable organisation providing various services to the local community including child care and education. Mr. Chiu graduated from The University of Science & Technology, Hong Kong, in November 1998, with a bachelor’s degree in computer engineering.

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

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

Mr. Chun Chi Ngon Richard (秦志昂) (“Mr. Chun”), aged 74, is our chief executive officer and executive Director.

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

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Chun Chun (秦蕤) (“Dr. Chun”), aged 46, was appointed as our non-executive Director on 24 March 2014 and re-designated as an executive Director on 10 August 2021. Dr. Chun has approximately 22 years of experience in speech & swallowing therapy. Dr. Chun has worked as a consultant of Hong Kong Speech & Swallowing Therapy Centre, a company principally engaged in providing swallowing and speech treatment. She was responsible for the provision of assessment and treatment for patients and training for internal staff since June 2006. Dr. Chun also worked in various hospitals or bureau. From August 2003 to December 2004, she was the speech and language consultant of the Hong Kong Education Department. From December 2001 to December 2002 and November 1999 to October 2001, Dr. Chun was the speech therapist of Tung Wah Eastern Hospital and Pamela Youde Nethersole Eastern Hospital, respectively. Dr. Chun obtained a bachelor’s degree and doctorate’s degree in Speech and Hearing Sciences from The University of Hong Kong, Hong Kong, in December 1999 and December 2007, respectively. Dr. Chun is a certified VitalStim Therapy Provider, Deep Pharyngeal Neuromuscular Stimulation Provider and an administrator of the Lee Silverman Voice Treatment. Furthermore, since October 2019, Dr. Chun acts as a school supervisor of SDM-Chatsworth International Kindergarten (Boundary Street) which is operated by a subsidiary of the Company.

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

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

NON-EXECUTIVE DIRECTOR

Ms. Yeung Siu Foon (楊少寬) (“Ms. Yeung”), aged 71, was appointed as our non-executive Director on 24 March 2014. Ms. Yeung has approximately 16 years of experience in education sector as a teacher. From July 1968 to January 1970, Ms. Yeung worked as a panel teacher in Chiu Kwong Kindergarten. From January 1970 to August 1985, Ms. Yeung worked as a panel teacher and kindergarten officer in Rainbow Middle School. Ms. Yeung graduated from Macao Saint Joseph’s Kindergarten College, Macao, in June 1967, with a secondary certificate in kindergarten teacher.

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

Dr. Hung Siu Ying Patrick (洪小瑩) (“Dr. Hung”), aged 55, was appointed as our independent non-executive Director on 21 September 2020. Dr. Hung is also a member of the audit committee of the Company, obtained a Doctor of Philosophy degree in Electrical Engineering and a Master of Science degree in electrical engineering from Stanford University, and a Bachelor of Science degree in Electrical Engineering from The University of Hong Kong. Dr. Hung was a consulting assistant professor at Stanford University Computer Systems Laboratory from 2003 to 2009. Dr. Hung co-founded Velosti Technology Limited in 2009 and Alta Sicuro Technology Limited in 2015. He was an external examiner at The Hong Kong Polytechnic University and an external assessor at City University of Hong Kong. Dr. Hung was a Taishan scholar in Shandong Province in China and a Confederation of British Industry Overseas scholar in the United Kingdom.

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

Dr. Kao Ping Suen (高炳旋), aged 48, was appointed as our independent non-executive Director on 28 February 2022. Dr. Kao is also a member of the audit committee, remuneration committee and nomination committee of the Company, obtained a doctor degree of Education (EdD) in Educational Management (dance education) from the Hong Kong Management Association (HKMA) and the Tarlac State University (TSU) in 2012, a master degree of art from the Chinese University of Hong Kong in 2009, a master degree of education from the Open University of Hong Kong in 2007 and a diploma in dance from the HKU School of Professional and Continuing Education in 2005. He is currently the art director of the Hong Kong Art Troupe of International Folklore, the external secretary of the Hong Kong Schools Dance Association (香港學界舞蹈協會外務秘書), the executive chairman of the Hong Kong Cup International Folklore & Art Festival, the member of the Organising Committee for National Day Celebration by the Circle of Literary and Art in Hong Kong and a guest lecturer of art colleges in the PRC. He is a prestigious icon in the fields of art and education, with 20 years of experiences in playing the role of team leader/director of Hong Kong in the International Festival of Art. Dr. Kao was accredited as a Professional Manager (PMgr) by the HKMA and the Master of Traditional Chinese Culture and Arts by the Chinese Traditional Culture Promotion Society under the Ministry of Culture of the PRC. He is currently the judges of various local, national and international contests of culture and art and is a Doctoral candidate in Business Administration since 2021.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Chan Yuen Hong (陳遠航) (“Ms. Chan”), aged 48, joined our Group in April 2007 as marketing officer and was promoted as our general manager and dean of SDM Jazz & Ballet on July 2007. She is primarily responsible for overall school operation including strategic planning, development of curriculum, marketing and general business operation of SDM Jazz & Ballet Academie. Ms. Chan has approximately 16 years of experience in management and marketing. From June 2005 to February 2006, she was the development executive of MV Destination Limited, a company principally engaged in providing event management services, responsible for marketing, promotion and event co-ordination. From July 1998 to July 2003, she was the senior marketing manager of Gold Royal International Enterprise Ltd., a company principally engaged in providing healthcare and beauty services, responsible for product development and training, brand building and marketing. From October 1996 to June 1998, Ms. Chan was a management trainee of The Marco Polo Hong Kong Hotel, responsible for providing assistance to various departments including human resources, marketing, food and beverage, housekeeping, front office and accounts. Ms. Chan graduated from Hong Kong Polytechnic University Hong Kong, in November 1996, with a bachelor’s degree in hotel and catering management. Ms. Chan is currently the chairman of the Hong Kong Children Dance Promotion Association.

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

Ms. Yu Sze Wan (余思韻) (“Ms. Yu”), aged 44, was appointed as assistant to general manager in July 2007, as administration and human resources manager in February 2008 and was promoted as head of administrations and deputy general manager in July 2013. Ms. Yu is responsible for coordinating the operation of various departments, human resources planning, and personnel recruitment. Ms. Yu has over 16 years of experience in management. Prior to joining us, Ms. Yu worked as administration assistant in Manulife (International) Limited, a company principally engaged in insurance, investment, asset management and financial planning, responsible for administrative matters, from April 1997 to November 1997. She was a consultant in World Sky International Limited, a company principally engaged in trading and marketing of health products, where she was responsible for providing assistance to improve the workflow, training memo, policies and practices, analyzing training needs, designing employee development programme and conducting product training, from November 1997 to February 2007. Ms. Yu obtained a certificate in secretarial studies from Sacred Heart Canossian Commercial School, Hong Kong, in June 1996. Ms. Yu is the administrative officer of the Hong Kong Children Dance Promotion Association. Ms. Yu obtained certificates in personnel administration and operations as well as in human resources management from the Hong Kong Management Association in 2011.

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

REPORT OF DIRECTORS

DIRECTORS' REPORT

The Directors hereby present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 46 to the consolidated financial statements.

SEGMENTAL INFORMATION

An analysis of the Group's revenue and contribution to the profit from operations by principal activities and geographical area of operations for the year ended 31 December 2021 is set out in Note 6 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 55 and 56.

No final dividend for the year ended 31 December 2021 is proposed by the Board (2020: Nil).

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

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 172 of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in Note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital of the Company are set out in Note 36 to the consolidated financial statements.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted by a written resolution of the Shareholders on 26 September 2014 (the "**Date of Adoption**"), and is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors, other employees, other eligible participants who have made valuable contribution to the Group. Up to 31 December 2021 and the date of this report, there were 57,897,000 and 54,797,000 share options, respectively granted under the Scheme from the Date of the Adoption.

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

(a) Purpose

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

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of the Group; and
- (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(b) The Participants of the Share Option Scheme

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

- (i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and
- (iii) any advisers, consultants, suppliers, customers, distributors and such other persons who in the sole opinion of the Board will contribute or have contributed to the Company or any of its subsidiaries.

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

REPORT OF DIRECTORS

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not, in the absence of Shareholders' approval, in aggregate exceed 10% in nominal amount of total number of shares in issue immediately following the completion of the offering for the Listing of the Shares of the Company (i.e. 20,000,000) (the "**Scheme Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Limit.

The Company may renew the Scheme Limit at any time subject to prior Shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme under the limit as refreshed must not exceed 10% of the shares in issue as at the date of the Shareholders' approval of the renewed limit.

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

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

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

Pursuant to the 2020 January EGM, the Company granted 6,380,000 share options at an exercise price of HK\$1.20 per share on 11 February 2020, 2,300,000 share options at an exercise price of HK\$1.44 per share on 25 February 2020 and 26,730,000 share options at HK\$0.40 per share on 15 June 2021 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 25 February 2020 and 15 June 2021.

REPORT OF DIRECTORS

(d) **Maximum number of options to any one individual**

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

(e) **Price of Shares**

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

- (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a share.

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

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

REPORT OF DIRECTORS

As at 31 December 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 31 December 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
					(Note 1)				
	Consultants	2,100,000	–	–	–	–	2,100,000	11 February 2021 to 10 February 2022	1.20
	Business partner	1,000,000	–	–	–	–	1,000,000	11 February 2021 to 10 February 2022	1.20
25 February 2020	Employees	300,000	–	–	–	–	300,000	1 January 2023 to 24 February 2023	1.44
	Consultants	2,000,000	–	–	–	–	2,000,000	1 January 2023 to 24 February 2023	1.44
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, the employee who was granted 1,500,000 options in total resigned from the position and left the Group.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 49 to the consolidated financial statements and page 59 in the consolidated statement of changes in equity respectively.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2021, the Company had no distributable reserve (2020: Nil) calculated in accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

MAJOR CUSTOMERS AND SUPPLIERS

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

None of the Directors, or any of their close associate(s) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's 5 largest customers and 5 largest suppliers during the year ended 31 December 2021.

DIRECTORS

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

Executive Directors

Mr. Chiu Ka Lok (*Chairman*)

Mr. Chun Chi Ngon Richard (*Chief Executive Officer*)

Dr. Chun Chun

Non-executive Director

Ms. Yeung Siu Foon

Independent non-executive Directors

Dr. Yuen Man Chun Royce (resigned on 30 November 2021)

Mr. Chak Chi Shing

Dr. Hung Siu Yung Patrick

Dr. Kao Ping Suen (appointed on 28 February 2022)

In accordance with the Company's articles of association, Mr. Chiu Ka Lok, Ms. Yeung Siu Foon and Dr. Kao Ping Suen will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

REPORT OF DIRECTORS

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors of the Group are set out on pages from 37 to 40 of this report.

DIRECTORS' SERVICE CONTRACTS

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

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

DIRECTORS' INTERESTS IN CONTRACTS

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

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

Save as disclosed in the paragraphs headed "**Continuing Connected Transactions**" in this report and Related Party Transactions in Note 45 to the consolidated financial statements, no contract of significance, to which the company, its holding company or subsidiaries was a party and in which a controlling shareholder of the company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENT POLICY

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

COMPETING INTERESTS

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

REPORT OF DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2021, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO")), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors and chief executive	Nature of interest/ Holding capacity	Number of ordinary shares held	Number of underlying Shares held	Percentage of issued share capital (Note 1)
Mr. Chiu Ka Lok	Interest of a controlled corporation, beneficial owner and family interest	278,750,000 (Note 2)	7,082,000	62.46%
Dr. Chun Chun	Beneficial owner and family interest	278,750,000 (Note 3)	7,082,000	62.46%
Mr. Chun Chi Ngon Richard	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.55%
Ms. Yeung Siu Foon	Beneficial owner and family interest	–	7,082,000 (Note 4)	1.55%

Notes:

- (1) As at 31 December 2021, the Company's issued ordinary share capital was HK\$45,760,000 divided into 457,600,000 Shares of HK\$0.1 each.
- (2) Wealthy Together Limited ("**Wealthy Together**"), is wholly and beneficially owned by Mr. Chiu Ka Lok, an executive Director and the Chairman of the Company. Mr. Chiu Ka Lok is deemed to be interested in 198,750,000 Shares held by Wealthy Together by virtue of his 100% shareholding interest in Wealthy Together. Mr. Chiu Ka Lok beneficially owned 24,000,000 Shares and Dr. Chun Chun, being the spouse of Mr. Chiu Ka Lok, beneficially owned 56,000,000 Shares. By virtue of the SFO, Mr. Chiu Ka Lok is deemed to be interested in 278,750,000 Shares.
- (3) Dr. Chun Chun, a non-executive Director, is the spouse of Mr. Chiu Ka Lok and is therefore deemed to be interested in all the shares held/owned by Mr. Chiu Ka Lok (by himself or through Wealthy Together) by virtue of the SFO.
- (4) Mr. Chiu Ka Lok and Dr. Chun Chun are both beneficially deemed to be interested in 3,541,000 Shares each which may be issued to them upon the exercise of the share options granted to them on 4 October 2019 under the Share Option Scheme. Also, as Mr. Chiu Ka Lok and Dr. Chun Chun are the spouse of each other, they are both deemed to be interested in all the underlying Shares held/owned by each other by virtue of the SFO.
- (5) Mr. Chun Chi Ngon Richard, an executive Director and the chief executive officer of the Company, and Ms. Yeung Siu Foon, a non-executive Director, are both beneficially deemed to be interested in 3,541,000 Shares each which may be issued to them upon the exercise of the share options granted to them on 4 October 2019 under the Share Option Scheme. Also, as Mr. Chun Chi Ngon Richard and Ms. Yeung Siu Foon are the spouse of each other, they are both deemed to be interested in all the underlying Shares held/owned by each other by virtue of the SFO.

REPORT OF DIRECTORS

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer referred to rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at 31 December 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 of the Company

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of interests in the Company's issued share capital (Note 1)
Wealthy Together	Beneficial owner	198,750,000 (Note 2)	43.43%
Hui Pui Cheung	Beneficial owner	52,398,000	11.45%
Chen Jiaxin	Interest of a controlled corporation	28,000,000	6.12%
Tycoon Mind Limited	Beneficial owner	28,000,000	6.12%

Notes:

- (1) As at 31 December 2021, the Company's issued ordinary share capital was HK\$45,760,000 divided into 457,600,000 Shares of HK\$0.1 each.
- (2) Wealthy Together is beneficially and wholly owned by Mr. Chiu Ka Lok, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu Ka Lok is deemed to be interested in the shares held by Wealthy Together.

Save as disclosed above, the Directors were not aware of any other persons, other than the Directors or the chief executive of the Company who held an interest or short positions in the shares and underlying shares of the Company as at 31 December 2021 which required to be recorded pursuant to Section 336 of SFO.

REPORT OF DIRECTORS

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 December 2021 are set out in Note 45 to the consolidated financial statements. Save as the building management fees, rent and rates received from other related companies, which constitute continuing connected transactions and are exempted from the reporting, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, none of these related party transactions constitute connected transactions as defined under the GEM Listing Rules.

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

CONTINUING CONNECTED TRANSACTIONS

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

For the years ended 31 December 2020 and 2021 the total rental and fees paid to our Group by Dunn's Education Limited under the Sub-lease Agreements amounted to approximately HK\$1,188,000 and HK\$1,116,000, respectively, of which approximately HK\$631,000 and HK\$650,000, respectively, were in relation to the sub-leasing of the Taikoo Centre.

For the years ended 31 December 2020 and 2021 the total rental and fees paid to our Group by Rainbow Creative Arts Limited under the Sub-lease Agreements amounted to approximately HK\$922,000 and HK\$2,118,000, respectively, of which approximately HK\$207,000 and HK\$768,000, respectively, were in relation to the sub-leasing of the Taikoo Centre.

For the years ended 31 December 2020 and 2021 the total rental and fees paid to our Group by Sunshine Chinese Painting under the Sub-lease Agreements amounted to approximately HK\$213,000 and HK\$192,000, respectively.

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

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

REPORT OF DIRECTORS

AUDIT COMMITTEE

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

Currently the audit committee comprises three independent non-executive directors, who have reviewed the consolidated financial statements for the year ended 31 December 2021.

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 2021, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of its/his and its/his associates' compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

CORPORATE GOVERNANCE

During the year ended 31 December 2021, the Company has complied with the code provisions as set out in the CG Code contained in Appendix 15 of the GEM Listing Rules.

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

SUFFICIENCY OF PUBLIC FLOAT

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

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in "EVENTS AFTER THE REPORTING PERIOD" in Note 48 to the consolidated financial statements, the Group had no material events after the reporting period.

REPORT OF DIRECTORS

CHANGE OF AUDITOR

Grant Thornton Hong Kong Limited resigned from the office of auditor of the Company with effect from 17 December 2021 whereas Zhonghui Anda CPA Limited has been appointed as the auditor of the Company to fill the casual vacancy. Grant Thornton Hong Kong Limited has confirmed in their letter of resignation dated 17 December 2021 that from their perspective there are no matters in respect of their resignation that need to be brought to the attention of the Shareholders. Details are set out in the Company's announcement dated 17 December 2021.

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

By order of the Board

Mr. Chiu Ka Lok

Chairman

Hong Kong, 29 April 2022

INDEPENDENT AUDITOR'S REPORT



To the shareholders OF SDM Education Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of SDM Education Group Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 55 to 171, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 2 to the consolidated financial statements which mentions that as at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$412,849,000 and HK\$218,190,000, respectively. These conditions indicate the existence of material uncertainties, including (i) the successful obtaining of additional new sources of financing and (ii) successfully managing the impact arisen from COVID-19 outbreak, as well as any Government’s stimulus in response, may cast significant doubt on the Group’s ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows. The consolidated financial statements do not include any adjustments that would result from the failure to complete various debt restructuring measures and the failure to improve its financial position, to provide liquidity and cash flows. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to (i) the successful completion of various debt restructuring measures and (ii) the successful outcome that certain measures to improve its financial position, to provide liquidity and cash flows, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements.

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

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Li Shun Fai

Audit Engagement Director

Practising Certificate Number P05498

Hong Kong, 29 April 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Re-presented) Note 50
Continuing operations			
Revenue	7	178,576	114,202
Other income	8	51,732	51,806
Other net gains and losses	8	(19,068)	6,394
Changes in inventories of finished goods		(246)	70
Finished goods purchased		(8,954)	(4,286)
Advertising and promotion expenses		(4,801)	(2,636)
Depreciation	12	(51,602)	(52,402)
Amortisation	12	(7,379)	(5,442)
Rental expenses		–	(727)
Staff and teaching consultants services costs	15	(108,683)	(85,991)
Other expenses		(39,201)	(34,299)
Impairment loss on goodwill	19	(3,596)	(2,446)
Net impairment loss recognised on financial assets and other receivables		(989)	(1,292)
Impairment loss on property, plant and equipment and right-of-use assets		(795)	(18,356)
Gain/(loss) on change in fair value of consideration payable	31	104,039	(108,516)
Loss on change in fair value of convertible notes through profit or loss	33(d)	(20,744)	(44,581)
Gain on re-measurement of obligation arising from put options	34	–	10,681
Share options expenses	38	(5,301)	(2,209)
Finance costs	9	(11,645)	(10,445)
Share of results of joint ventures	21	(195)	(1,285)
Share of results of an associate	22	131	162
Profit/(loss) before taxation		51,279	(191,598)
Income tax expenses	10	(1,295)	(845)
Profit/(loss) for the year from continuing operations	12	49,984	(192,443)
Discontinued operations			
Loss for the year from discontinued operations	11	(11,167)	(128,890)
Profit/(loss) for the year		38,817	(321,333)
Profit/(loss) for the year attributable to owners of the Group			
– from continuing operations		49,445	(182,920)
– from discontinued operations		(11,193)	(128,878)
		38,252	(311,798)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000 (Re-presented) Note 50
Profit/(loss) for the year attributable to non-controlling interests			
– from continuing operations		539	(9,524)
– from discontinued operations		26	(11)
		565	(9,535)
Profit/(loss) for the year		38,817	(321,333)
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange loss on translation of financial statements of foreign operations		5,361	(6,089)
Change in fair value on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	33(d)	31,566	–
Change in fair value on financial investments at fair value through other comprehensive income		–	(119)
Other comprehensive income/(loss) for the year		36,927	(6,208)
Total comprehensive income/(loss) for the year		75,744	(327,541)
Total comprehensive income/(loss) attributable to owners of the Group:			
– from continuing operations		50,783	(189,263)
– from discontinued operations		20,524	(129,066)
		71,307	(318,329)
Total comprehensive income/(loss) attributable to non-controlling interests:			
– from continuing operations		4,437	(9,209)
– from discontinued operations		–	(3)
		4,437	(9,212)
		HK cents	HK cents
Basic earning/(loss) per share			
From continuing and discontinued operations	14	9.45	(87.23)
From continuing operations		12.21	(51.17)
From discontinued operations		(2.76)	(36.06)
Diluted earning/(loss) per share			
From continuing and discontinued operations	14	8.99	(87.23)
From continuing operations		11.61	(51.17)
From discontinued operations		(2.62)	(36.06)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment	18(a)	17,727	20,878
Right-of-use assets	18(b)	71,246	96,567
Goodwill	19	99,710	99,062
Intangible assets	20	70,636	78,542
Interests in joint ventures	21	156	156
Loans to joint ventures	21	757	952
Interest in an associate	22	1,546	1,438
Deposits for acquisitions of subsidiaries and businesses	23	18,187	33,770
Lease receivables	35(a)	–	3,083
Other receivables, deposits and prepayments	25	13,306	27,611
Deferred tax assets	37	30	43
		293,301	362,102
Current assets			
Inventories	24	1,958	2,204
Trade and other receivables, deposits and prepayments	25	50,847	38,484
Lease receivables	35(a)	–	2,261
Amounts due from related parties	27	9,901	8,866
Amounts due from non-controlling shareholders of subsidiaries	28	664	2,184
Pledged time deposits	29	–	10,703
Cash and cash equivalents	29	29,508	38,458
Tax recoverable		264	190
		93,142	103,350
Current liabilities			
Trade and other payables	30	57,839	40,056
Deferred income	26.1	32,824	39,047
Amounts due to related parties	27	13,722	3,429
Amounts due to non-controlling shareholders of subsidiaries	28	246	224
Corporate bonds	33(c)	–	50,000
Convertible notes	33(d)	281,775	41,643
Consideration payables	31	–	153,942
Bank and other borrowings	33(a), (b)	49,359	2,342
Lease liabilities	35(b)	64,158	75,897
Tax payable		1,942	1,170
Provisions	32	4,126	2,396
		505,991	410,146
Net current liabilities		(412,849)	(306,796)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Total assets less current liabilities		(119,548)	55,306
Non-current liabilities			
Provisions	32	7,702	9,894
Deferred tax liabilities	37	5,463	6,707
Bank and other borrowings	33(a), (b)	5,390	–
Convertible notes	33(d)	–	248,040
Lease liabilities	35(b)	80,087	121,322
		98,642	385,963
NET LIABILITIES		(218,190)	(330,657)
EQUITY			
Share capital	36	45,760	38,460
Reserves		(272,574)	(366,583)
Equity attributable to owners of the Company		(226,814)	(328,123)
Non-controlling interests	46	8,624	(2,534)
TOTAL EQUITY		(218,190)	(330,657)

Approved and authorised for issue by the Board of Directors on 29 April 2022.

Chiu Ka Lok
Director

Chun Chi Ngon Richard
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Share premium*	Exchange reserve*	Fair value reserve*	Share options reserve*	Other reserve*	Accumulated losses*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance as at 1 January 2020	35,410	66,892	544	119	8,647	508	(191,400)	(79,280)	(12,029)	(91,309)
Loss for the year	-	-	-	-	-	-	(311,798)	(311,798)	(9,535)	(321,333)
Other comprehensive (loss)/income	-	-	(6,412)	(119)	-	-	-	(6,531)	323	(6,208)
Total comprehensive loss for the year	-	-	(6,412)	(119)	-	-	(311,798)	(318,329)	(9,212)	(327,541)
Capital contribution from non-controlling shareholder	-	-	-	-	-	504	-	504	272	776
Deemed acquisition of additional interests in subsidiary (Note 46)	-	-	-	-	-	(3,092)	-	(3,092)	3,092	-
Acquisition of a subsidiary (Note 39)	-	-	-	-	-	-	-	-	15,343	15,343
Grant of share options (Note 38)	-	-	-	-	2,209	-	-	2,209	-	2,209
Lapse of share options (Note 38)	-	-	-	-	(1,066)	-	1,066	-	-	-
Issue of consideration shares (Notes 31 & 36)	3,050	66,815	-	-	-	-	-	69,865	-	69,865
Balance as at 31 December 2020	38,460	133,707	(5,868)	-	9,790	(2,080)	(502,132)	(328,123)	(2,534)	(330,657)
At 1 January 2021	38,460	133,707	(5,868)	-	9,790	(2,080)	(502,132)	(328,123)	(2,534)	(330,657)
Profit for the year	-	-	-	-	-	-	38,252	38,252	565	38,817
Other comprehensive income/(loss)	-	-	5,664	31,566	-	-	-	37,230	(303)	36,927
Total comprehensive income for the year	-	-	5,664	31,566	-	-	38,252	75,482	262	75,744
Dividend paid to NCI	-	-	-	-	-	-	-	-	(693)	(693)
Change in ownership interest of NCI (Note 46)	-	-	-	-	-	(11,589)	-	(11,589)	11,589	-
Grant of share options (Note 38)	-	-	-	-	5,301	-	-	5,301	-	5,301
Lapse of share options (Note 38)	-	-	-	-	(249)	-	249	-	-	-
Issue of consideration shares (Notes 31 & 36)	7,300	24,815	-	-	-	-	-	32,115	-	32,115
Balance as at 31 December 2021	45,760	158,522	(204)	31,566	14,842	(13,669)	(463,631)	(226,814)	8,624	(218,190)

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

* The reserves accounts comprise the Group's reserves of HK\$272,574,000 (2020: HK\$366,583,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Cash flows from operating activities		
Continuing operations		
Profit/(loss) before taxation	51,279	(191,598)
Adjustments for:		
Amortisation	7,379	5,442
COVID-19 related rent concessions received	(1,432)	(8,078)
Depreciation	51,602	52,402
Finance costs	11,645	10,445
Forfeiture of deposits for acquisitions of subsidiaries and businesses	17,723	–
(Gain)/loss on change in fair value of consideration payables	(104,039)	108,516
Loss on change in fair value of convertible notes	20,744	44,581
Gain on re-measurement of obligation arising from put options	–	(10,681)
Impairment loss on goodwill	3,596	2,446
Impairment loss on property, plant and equipment and right-of-use assets	795	18,356
Interest income	(747)	(1,865)
Loss on change in fair value of financial investments on financial investments	–	34
Loss on disposal of property, plant and equipment	53	69
Net exchange gains	(6,772)	(6,075)
Net impairment loss recognised on financial assets and prepayments	989	1,292
Reversal of income arising from an indemnity	–	127
Share of results of an associate	(131)	(162)
Share of results of joint ventures	195	1,285
Share options expenses	5,301	2,209
Write-off of payables	–	(747)
Operating cash flows before working capital changes	58,180	27,998
Decrease in deferred income	(6,422)	(20,859)
Decrease in trade and other receivables, deposits and prepayments	1,677	25,385
Decrease/(increase) in inventories	246	(70)
(Decrease)/increase in provisions	(190)	103
(Increase)/decrease in amounts due from related parties	(1,035)	560
Increase/(decrease) in trade and other payables	18,222	(14,767)
Cash generated from operations	70,678	18,350
Income taxes paid	(1,976)	(1,258)
	68,702	17,092
Discontinued operation	4,193	(20,639)
Net cash generated from/(used in) operating activities	72,895	(3,547)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Cash flows from investing activities		
Payment of consideration payables	(25,232)	(3,631)
Net cash outflow arising from acquisitions of subsidiaries and businesses	(6,934)	(24,885)
Deposits paid for acquisitions of subsidiaries and businesses	(5,778)	(2,251)
Purchase of property, plant and equipment	(5,380)	(1,557)
Refund for deposit paid for acquisitions of subsidiaries and businesses	797	739
Interest received	747	1,865
Proceeds from income arising from indemnity	–	821
Deposits paid for acquisition of property, plant and equipment	–	(1,077)
Advances to related parties and joint ventures	–	(2,159)
Loan to holding company of an associate	–	(4,986)
Loan to third party	–	(751)
Proceeds received from disposal of financial investments	–	47,699
Repayment from non-controlling shareholder of a subsidiary	–	2,556
	(41,780)	12,383
Discontinued operation	4,182	1,305
	(37,598)	13,688
Cash flows from financing activities		
Repayment of corporate bonds	(50,000)	(71,000)
Payment of lease liabilities	(41,967)	(24,643)
Finance cost paid	(4,195)	(6,254)
Repayment of bank and other borrowings	(2,342)	(10,270)
Proceed from bank and other borrowings	54,749	7,797
Advances from related parties	10,293	2,965
Proceeds from issuance of shares capital	7,800	–
Repayment to joint ventures	–	(756)
Advances from non-controlling shareholders of a subsidiary	–	106
Proceeds from issue of corporate bonds, net of transaction costs	–	49,900
Capital contribution from non-controlling shareholders of a subsidiary	–	776
	(25,662)	(51,379)
Discontinued operation	(16,726)	19,016
	(42,388)	(32,363)
Net decrease in cash and cash equivalents	(7,091)	(22,222)
Cash and cash equivalents at the beginning of the year	38,458	66,388
Effect of foreign exchange rate changes	(1,859)	(5,708)
	29,508	38,458
Cash and cash equivalents at the end of the year	29,508	38,458

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

SDM Education Group Holdings Limited (the “**Company**”) was incorporated in Cayman Islands with limited liability. The address of its registered office is Clifton House, 75 Fort Street, P.O.Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The address of its principal place of business is Room 202B, 2/F, Liven House, 61-63 King Yip Street, Kwun Tong, Hong Kong. The Company’s shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the “**SEHK**”).

The Company is an investment holding company. The principal subsidiaries are mainly engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong; (ii) operation of kindergartens and pre-schools in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; and (iv) provision of photographic services in Hong Kong.

In the opinion of the directors of the Company (the “**Directors**”), as at the date of issue of these consolidated financial statements, Wealthy Together Limited (“**Wealthy Together**”), a company incorporated in British Virgin Islands (“**BVI**”), is the immediate holding company, and controlled by Mr. Chiu Ka Lok (the “**Controlling Shareholder**”).

At the extraordinary general meeting of the shareholders of the Company held on 20 September 2021, a special resolution was passed to change the name of the Company from “SDM Group Holdings Limited” to “SDM Education Group Holdings Limited” and the Chinese name of “SDM教育集團控股有限公司” has been adopted as the dual foreign name of the Company (the “**Change of Company English Name and Adoption of Chinese Name**”). A Certificate of Incorporation on “Change of Company English Name and Adoption of Chinese Name” were issued by the Registrar of the Companies in Cayman Islands with effect from 14 January 2022 and a Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 October 2021 confirming the registration of the new name “SDM Education Group Limited” of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) (the “**Hong Kong Companies Ordinance (Cap. 622)**”).

2. GOING CONCERN BASIS

As at 31 December 2021, the Group had net current liabilities and net liabilities of approximately HK\$412,849,000 and HK\$218,190,000, respectively. These conditions indicate the existence of material uncertainties, including (i) the successful obtaining of additional new sources of financing and (ii) successfully managing the impact arisen from COVID-19 outbreak, as well as any Government’s stimulus in response, may cast significant doubt on the Group’s ability to continue as a going concern. In the contrary, the Directors consider it is appropriate to prepare the consolidated financial statements on a going concern basis as the Group is expected to have sufficient financial resources to meet its obligation as they fall due for at least the next twelve months based on its projected cash flow forecasts. The Group’s Directors have reviewed the financial position of the Group as at 31 December 2021, including its working capital and bank and cash balances, together with the projected cash flow forecasts for the next twelve months and the Directors consider that the Group is financially viable to continue as a going concern.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

2. GOING CONCERN BASIS (CONTINUED)

In addition, the Group can also improve its financial position, immediate liquidity and cash flows, by adopting the following measures:

- (a) the management successfully manages the impact arisen from COVID-19 outbreak to generate sufficient cash flows from its operations;
- (b) the Group is negotiating with lenders to extend repayment of loans and interests; and
- (c) the Controlling Shareholder has agreed to provide adequate funds for the Group to meet its liabilities as they fall due.

Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

3.1 New HKFRSs adopted during the financial year

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, that are relevant to its operations and effective for its accounting year beginning on 1 January 2021. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("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 consolidated financial statements and amounts reported for the current year and prior years.

The Group has not early applied any new or revised HKFRSs that is not yet effective for the current accounting period, except for the amendment to HKFRS 16 "COVID-19 Related Rent Concessions". Impact on the application of the amendment to HKFRS 16 is summarised below.

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions"

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

3.1 New HKFRSs adopted during the financial year (Continued)

Amendment to HKFRS 16 "COVID-19-Related Rent Concessions (Continued)

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

- a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) there is no substantive change to other terms and conditions of the lease.

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

Consequently, rent concessions received have been recognised in "other income" in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2021.

The application of the new or revised HKFRS that have been issued but are not yet effective and have not been early adopted by the Group will not have material impact on the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The GEM of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 5 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The significant accounting policies applied in the preparation of the consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation (Continued)

In the Company's statement of financial position the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Business combination and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income, the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the accounting policy below. Impairment losses of goodwill are recognised in consolidated profit or loss and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Associates (Continued)

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint venture

A joint venture is a contractual arrangement whereby the Company and other parties undertake an economic activity that is subject to joint control. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Investment in a jointly controlled entity is accounted for in the financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Company's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the income statement.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in the income statement, and its share of the post-acquisition movements in reserves is recognised in the reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Joint venture (Continued)

Unrealised profits on transactions between the Company and its jointly controlled entities are eliminated to the extent of the Company's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Company.

Foreign currency translation

(i) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) **Transactions and balances in each entity's financial statements**

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) **Translation on consolidation**

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation (Continued)

(iii) Translation on consolidation (Continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their costs less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Leasehold improvements	Over the lease terms
Furniture, fittings and equipments	20-33.33%
Motor vehicles	33.33%

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in consolidated profit or loss.

Leases

The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Properties leased for own use	2 - 5 years
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Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$ 5,000.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Intangible assets

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

Amortisation commences when the intangible assets are available for use. Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives, as follows:

Customer relationships	3 - 10 years
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Other intangible assets mainly include brand name, trademarks and intellectual property. Intangible assets with a finite useful lives are carried at cost less accumulated amortisation and any impairment losses. Intangible assets with indefinite useful lives including trademark are carried at cost less any subsequent accumulated impairment losses.

Discontinued operations

A discontinued operation is a component of the Group, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. It also occurs when the operation is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises:

- The post-tax profit or loss of the discontinued operation; and
- The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in consolidated profit or loss.

Financial assets of the Group are classified under the following categories:

- Financial assets at amortised cost;
- Investments at fair value through profit or loss.

(i) Financial assets at amortised cost

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

(ii) *Investments at fair value through profit or loss*

Financial assets are classified under this category if they do not meet the conditions to be measured at amortised cost and the conditions of debt investments at fair value through other comprehensive income unless the Group designates an equity investment that is not held for trading as at fair value through other comprehensive income on initial recognition.

Investments at fair value through profit or loss are subsequently measured at fair value with any gains or losses arising from changes in fair values recognised in consolidated profit or loss. The fair value gains or losses recognised in consolidated profit or loss are net of any interest income and dividend income. Interest income and dividend income are recognised in consolidated profit or loss.

Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("**lifetime expected credit losses**") for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in consolidated profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible notes

Convertible notes which entitle the holder to convert the notes into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible notes and the fair values assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other financial liabilities

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

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

Interest income is recognised using the effective interest method.

Employee benefits

(i) *Employee leave entitlements*

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

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(ii) Pension obligations

The Group operates a Mandatory Provident Fund Scheme (the “**MPF Scheme**”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees’ relevant income. Contributions to the plan vest immediately.

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

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

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants. Equity-settled share-based payments are measured at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 38 to the financial statements.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs (Continued)

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in consolidated profit or loss in the period in which they are incurred.

Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Related parties

A related party is a person or entity that is related to the Group.

- (A) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (A);
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

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

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

Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgments in applying accounting policies

In the process of applying the accounting policies, the Directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

a) *Going concern basis*

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful completion of the debt restructuring and certain measures as mentioned in note 2 to improve its operating results and cash flows. The directors of the Company believe that the Group will have sufficient funds to finance its current working capital requirements in the next twelve months from the end of the reporting date. Details are explained in note 2 to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Critical judgments in applying accounting policies (Continued)

b) Lease term and discount rate determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstance occurs which affects this assessment and that is within the control of the lessee.

The Group uses the lessee's incremental borrowing rates to discount future lease payments since interest rates implicit in the leases are not readily determinable. In determining the discounts rates for its leases, the Group refers to a rate that is readily observable as the starting point and then applies judgement and adjusts such observable rate to determine the incremental borrowing rate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

a) Impairment of intangible assets

The policy for impairment of intangible assets of the Group is based on an evaluation of their recoverable amount with reference to expected future cash flows based on management's estimation. A considerable amount of judgement is required in estimating the expected future cash flows from the Group's intangible assets. If the recoverable amounts are less or more than expected than the carrying amounts of the intangible assets, or changes in facts and circumstances which may result in revisions of the estimated future cash flows, impairment or reversal of impairment loss may be required.

b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was HK\$99,710,000 after an impairment loss of HK\$3,596,000 was recognised during the year ended 31 December 2021. Details of the impairment loss calculation are provided in note 19 to consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

d) *Fair value of convertible notes*

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by the management of the Group in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices. Further details are given in note 33(d) to the consolidated financial statements.

6. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of internal report about the components of the Group that are regularly received by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The Group has identified the following reportable segments:

Continuing operations:

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

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

Discontinued operation:

Adult education and training business – provision of adult language courses in Australia

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

Each of these operating segments is managed separately as each of the service lines requires different resources as well as marketing approaches.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profits or losses do not include expenses related to share-based payments, share of profit or loss of associates and joint ventures accounted for using the equity method, change in fair value of consideration payables, net impairment loss recognised on financial assets and prepayments, income tax expense and corporate income and expenses which are not directly attributable to the business activities of any operating segment.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

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

2021	Continuing operations			Discontinued operation	Total HK\$'000
	Dance academy business HK\$'000	Early childhood education business HK\$'000	Others HK\$'000	Adult education and training business HK\$'000	
Revenue	74,548	93,433	10,595	6,224	184,800
Segment results	10,506	9,043	3,025	(8,014)	14,560
Other income and net gains and losses					7,294
Central corporate expenses					(40,960)
Share options expenses					(5,301)
Loss on change in fair value of convertible notes through profit or loss					(20,744)
Gain on change in fair value of consideration payables					104,039
Share of results of joint ventures					(195)
Share of results of an associate					131
Forfeiture of deposits for acquisitions of subsidiaries and business					(17,723)
Net impairment loss recognised on financial assets and prepayments					(989)
Profit before taxation					40,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

For the year ended 31 December 2021

	Continuing operations				Discontinued operation	Consolidated
	Dance academy business	Early childhood education business	Others	Unallocated	Adult education and training business	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts credited/(charged) included in the measure of segment results						
Interest income	1	448	-	119	159	727
Amortisation of intangible assets	(3,510)	(3,361)	(508)	-	-	(7,379)
Depreciation of property, plant and equipment	(3,808)	(3,910)	(74)	(89)	-	(7,881)
Depreciation of right-of-use assets	(20,334)	(21,773)	-	(1,614)	-	(43,721)
Impairment loss on property, plant and equipment and right-of-use assets	-	(795)	-	-	-	(795)
Forfeiture of deposits for acquisitions of subsidiaries and businesses	-	(17,723)	-	-	-	(17,723)
Interest on lease liabilities	(1,910)	(2,751)	-	(91)	(629)	(5,381)
Impairment loss on goodwill	-	(3,596)	-	-	-	(3,596)
Impairment loss on lease receivable and other receivables	-	(724)	-	(265)	(3,784)	(4,773)
Share of results of an associate	-	-	-	131	-	131
Share of results of joint ventures	-	-	-	(195)	-	(195)

For the year ended 31 December 2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

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

	Revenue from external customers for the year ended 31 December		Non-current assets (other than financial instruments and deferred tax assets) as at 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Australia (discontinued operation)	6,224	42,092	–	–
Hong Kong	93,557	58,757	57,859	75,659
Singapore	85,019	55,445	222,106	255,831
	184,800	156,294	279,965	331,490

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

Information about major customers

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

7. REVENUE

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

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

	Continuing operations		Discontinued operation		Total	
	2021	2020	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contract with customers						
Dance academy business	74,548	45,428	–	–	74,548	45,428
Early childhood education business	93,433	58,144	–	–	93,433	58,144
Adult education and training business	–	–	6,224	42,092	6,224	42,092
Others	10,595	10,630	–	–	10,595	10,630
Total	178,576	114,202	6,224	42,092	184,800	156,294

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

7. REVENUE (CONTINUED)

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

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

Segments	For the year ended 31 December 2021				Total HK\$'000
	Dance academy business HK\$'000	Continuing operations Early childhood education business HK\$'000	Others HK\$'000	Discontinued operation Adult education and training business HK\$'000	
Types of goods or service					
Dance academy business					
– Elementary courses	35,721	–	–	–	35,721
– CSTD jazz courses	23,846	–	–	–	23,846
– RAD ballet courses	3,295	–	–	–	3,295
– Other courses	9,537	–	–	–	9,537
– Sale of dance uniforms, shoes and accessories	2,149	–	–	–	2,149
	74,548	–	–	–	74,548
Early childhood education business					
– Elementary and enrichment courses	–	93,276	–	–	93,276
– Sale of uniforms and accessories	–	157	–	–	157
	–	93,433	–	–	93,433
Adult education and training business					
– Adult language courses	–	–	–	2,824	2,824
– Training courses	–	–	–	3,400	3,400
	–	–	–	6,224	6,224
Others					
– Provision of swallowing and speech treatments	–	–	4,429	–	4,429
– Provision of photographic services	–	–	6,166	–	6,166
– Others	–	–	–	–	–
	–	–	10,595	–	10,595
Total	74,548	93,433	10,595	6,224	184,800
Geographical markets					
– Australia	–	–	–	6,224	6,224
– Hong Kong	74,548	4,958	10,595	–	90,101
– Singapore	–	88,475	–	–	88,475
Total	74,548	93,433	10,595	6,224	184,800
Timing of revenue recognition					
– At point in time	2,149	157	6,166	–	8,472
– Over time	72,399	93,276	4,429	6,224	176,328
Total	74,548	93,433	10,595	6,224	184,800

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For the year ended 31 December 2021

7. REVENUE (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

8. OTHER INCOME AND OTHER NET GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Other income		
Management fee income	6,046	5,325
Examination and competition handling fee income	5,294	72
Performance and show income	3,984	225
Services fee income	30	1,032
Franchise fee income	1,738	5,699
Sub-lease income that are fixed	5,183	3,419
Reversal of income arising from an indemnity	–	(127)
Interest income	747	1,865
COVID-19-related rent concessions received (Note (a))	1,432	8,078
Government grants (Note (b))	22,510	21,393
Write-off of payables	–	747
Others	4,768	4,078
	51,732	51,806
Other net gains and losses		
Net exchange (losses)/gains	(1,292)	6,497
Forfeiture of deposits for acquisitions of subsidiaries and businesses	(17,723)	–
Loss on change in fair value of financial investments	–	(34)
Loss on disposal of property, plant and equipment	(53)	(69)
	(19,068)	6,394

Notes:

- (a) The Group has adopted Amendments to HKFRS 16 “Covid-19 – Related Rent Concessions” and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2021 and 2020, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.
- (b) During the year ended 31 December 2021, the Group received funding support amounting to HK\$8,872,000 (2020: HK\$11,251,000) from the employment support scheme under the anti-epidemic fund, set up by the Hong Kong government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

In addition, the Inland Revenue Authority of Singapore introduced Jobs Support Scheme in February 2020 for providing wage support for employers to retain their local employees. During the year ended 31 December 2021, the Group received the funding support amounting to S\$2,067,000 (2020: S\$1,778,000), equivalent to approximately HK\$11,974,000 (2020: HK\$10,002,000).

Remaining government grants were granted on a discretionary basis during the year ended 31 December 2021 and 2020 and the conditions attached thereto were fully complied with.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

9. FINANCE COSTS

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Interest expenses on:		
– bank and other borrowings	4,195	229
– corporate bonds	2,697	5,114
– lease liabilities	4,753	3,880
Finance charges		
– Imputed interest expense on put options written to non-controlling shareholders of a subsidiary	–	1,222
	11,645	10,445

10. INCOME TAX EXPENSES

	2021 HK\$'000	2020 HK\$'000
Hong Kong Profits Tax		
– Current year	178	437
Singapore corporate income tax (“CIT”)		
– Current year	2,502	1,535
– Over provision in prior years	(144)	(532)
	2,358	1,003
	2,536	1,440
Deferred tax (Note 37)	(1,241)	(595)
	1,295	845

The provision for Hong Kong Profits Tax for 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

10. INCOME TAX EXPENSES (CONTINUED)

Singapore CIT is calculated at 17% (2020: 17%) of the estimated assessable profit eligible for CIT rebate of 20%, capped at S\$10,000 for the years of assessment 2021 and 2020. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income. The Singapore companies which meet the qualifying condition as start-up companies can enjoy 100% tax exemption on the first S\$100,000 of normal chargeable income and a further 50% tax exemption on the next S\$200,000 of normal chargeable income at the relevant years of assessment.

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

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

	2021 HK\$'000	2020 HK\$'000
Profit/(loss) before taxation from continuing operations	51,279	(191,598)
Loss before taxation from discontinued operations	(11,167)	(128,890)
	40,112	(320,488)
Tax at Hong Kong profits tax rate of 16.5%	6,618	(52,881)
Tax effect of expenses not deductible for tax purpose	27,422	46,231
Tax effect of income not taxable for tax purpose	(44,498)	(6,960)
Over provision in prior years	(144)	(532)
Effect of share of results of joint ventures and an associate	11	185
Tax effect of tax losses not recognised	10,913	14,364
Tax effect of deductible temporary differences not recognised	860	374
Effect of different tax rates of subsidiaries operating in other jurisdictions	113	64
Income tax expense for the year	1,295	845

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. DISCONTINUED OPERATIONS

On 27 April 2021, the Group has decided to cease its operations in Australia (“**Australia segment**”) due to the outbreak of COVID-19 pandemic, the principal activities of the Australia segment are adult education and training business. Accordingly, the cessation of Australia segment is presented as a discontinued operation in the consolidated financial statements of the Group for the year ended 31 December 2021 with the comparatives for the corresponding year of 2020 be restated to conform with the current year’s presentation.

(a) The results of the discontinued operation are presented below:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Revenue – adult education and training business	6,224	42,092
Other income	(63)	1,416
Advertising and promotion expenses	(1,397)	(11,821)
Depreciation	–	(18,583)
Staff and teaching consultants services costs	(7,661)	(35,544)
Other expenses	(1,138)	(9,076)
Impairment loss on goodwill	–	(38,409)
Impairment loss on lease receivables	(3,784)	–
Impairment loss on property, plant and equipment and right-of-use assets	–	(54,080)
Loss on change in fair value of convertible notes	–	(2,883)
Finance costs	(3,348)	(2,002)
Loss for the year from discontinued operation	(11,167)	(128,890)

(b) The loss for the year from discontinued operation has been arrived at after charging/(crediting):

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Interest income	159	143
Depreciation of property, plant and equipment	–	(2,197)
Depreciation of right-of-use assets	–	(16,386)
Impairment loss on property, plant and equipment and right-of-use assets	–	(54,080)
Interest on lease liabilities	(629)	(2,002)
Impairment loss on goodwill	–	(38,409)
Impairment loss on lease receivables	(3,784)	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

12. GAIN/(LOSS) FOR THE YEAR FROM CONTINUING OPERATION

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
The Group's gain/(loss) for the year from continuing operations has been arrived at after charging/(crediting):		
Auditor's remuneration*	1,600	4,280
Consultants service costs*	2,518	2,767
COVID-19 – related rent concessions received (Note 8)	(1,432)	(8,078)
Building management fee*	5,863	9,235
Legal and professional fee*	4,199	3,777
Lease charges:		
Short term leases exempt from capitalisation under HKFRS 16	–	662
Variable lease payment that based on receipts of turnover	–	65
Total lease charges	–	727
Depreciation:		
Right-of-use assets (Note 18(b))	43,721	44,569
Owned assets (Note 18(a))	7,881	7,833
Total depreciation	51,602	52,402
Amortisation of intangible assets (Note 20)	7,379	5,442
Forfeiture of deposits for acquisitions of subsidiaries and businesses	(17,723)	–
(Reversal of impairment loss)/impairment loss recognised on:		
– amounts due from related parties	265	579
– amounts due from non-controlling shareholders of subsidiaries	–	(212)
– other financial assets	724	925
Net impairment loss recognised on financial assets	989	1,292

* included in "other expenses"

13. DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil) nor propose any dividend since the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

14. EARNING/(LOSS) PER SHARE

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

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Earning/(loss)		
Earning/(loss) for the purpose of calculating basic loss per share (earning/(loss) for the year attributable to owners of the Company)		
From continuing operations	49,445	(182,920)
From discontinued operations	(11,193)	(128,878)
	38,252	(311,798)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	404,955	357,425
Effect of dilution-weighted average of ordinary shares: Convertible note	20,759	–
	425,714	357,425
	HK cents	HK cents
Basic earning/(loss) per share		
From continuing operations	12.21	(51.17)
From discontinued operations	(2.76)	(36.06)
	9.45	(87.23)
Diluted earning/(loss) per share		
From continuing operations	11.61	(51.17)
From discontinued operations	(2.62)	(36.06)
	8.99	(87.23)

The diluted loss per share for the year ended 31 December 2020 were the same as the basic loss per share as the outstanding convertible notes had an anti-dilutive effect on the basic loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

15. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK\$'000	2020 HK\$'000 (Re-presented)
Directors' fees	2,930	2,278
Wages and salaries	96,790	77,501
Retirement benefits scheme contributions	8,963	6,212
Total staff costs (note a) (including directors' remuneration)	108,683	85,991
Share options expenses (note b)	5,301	2,209
Employee benefit expense (including directors' remuneration)	113,984	88,200

Notes:

- a. Included in staff costs are teaching consultants services costs of HK\$4,110,000 (2020: HK\$3,041,000) for the delivery of courses by instructors. These instructors do not enter into employment contract with the Group.
- b. Included in share options expenses are share options granted to consultants of the Group of HK\$nil (2020: HK\$1,607,000). These consultants do not enter into employment contract with the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

	Directors' fees HK\$'000	Other emoluments			Total HK\$'000
		Salaries and other benefits HK\$'000	Share based payments HK\$'000	Retirement benefits scheme contributions HK\$'000	
2021					
<i>Executive directors</i>					
Mr. Chiu Ka Lok	889	-	-	18	907
Mr. Chun Chi Ngon Richard (Note a)	380	-	-	-	380
Dr. Chun Chun (Note b)	1,273	-	-	18	1,291
<i>Non-executive directors</i>					
Ms. Yeung Siu Foon	205	-	-	-	205
<i>Independent non-executive directors</i>					
Dr. Yuen Man Chun Royce (Note c)	83	-	-	-	83
Dr. Hung Siu Ying Patrick (Note d)	50	-	-	-	50
Mr. Chak Chi Shing (Note e)	50	-	-	-	50
	2,930	-	-	36	2,966

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For the year ended 31 December 2021

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

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

Notes:

- (a) Mr. Chun Chi Ngon Richard is also the Chief Executive Officer of the Group.
- (b) Redesignated from the non-executive director to an executive director on 10 August 2021.
- (c) Resigned on 30 November 2021.
- (d) Appointed on 21 September 2020.
- (e) Resigned on 28 February 2022.
- (f) Retired on 22 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2020: nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2020: nil).

The value of share options granted to directors is measured according to the Group's accounting policy for share-based compensation set out in note 4. The details of these benefits in kind including the principal terms and number of options granted are disclosed under the heading "Share options" in the Directors' Report and note 38.

17. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year included two (2020: one) directors whose emoluments are reflected in the analysis presented above:

The aggregate emoluments payable to the remaining three (2020: four) individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Salaries and other benefits	3,174	3,129
Retirement benefit scheme contributions	195	212
	3,369	3,341
The emoluments fell the following bands:		
Emolument bands:		
Nil – HK\$1,000,000	2	4
HK\$1,000,001 – HK\$1,500,000	1	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(a) Property, plant and equipment

	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicle HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost					
At 1 January 2020	28,564	7,783	107	14,718	51,172
Additions through acquisitions of subsidiaries and businesses (Note 39)	2,956	544	–	–	3,500
Additions	–	1,606	–	82	1,688
Transfer	14,377	–	–	(14,377)	–
Written off/Disposal	(4,859)	(698)	–	–	(5,557)
Exchange realignment	952	260	–	(423)	789
At 31 December 2020 and 1 January 2021	41,990	9,495	107	–	51,592
Additions	4,754	626	–	–	5,380
Written off/Disposal	(3,172)	(434)	–	–	(3,606)
Exchange realignment	(179)	(86)	–	–	(265)
At 31 December 2021	43,393	9,601	107	–	53,101
Accumulated depreciation and impairment loss					
At 1 January 2020	15,480	4,917	75	–	20,472
Depreciation	7,847	2,151	32	–	10,030
Written off/Disposal	(4,794)	(694)	–	–	(5,488)
Impairment loss	3,951	734	–	–	4,685
Exchange realignment	648	367	–	–	1,015
At 31 December 2020 and 1 January 2021	23,132	7,475	107	–	30,714
Depreciation	6,836	1,045	–	–	7,881
Written off/Disposal	(2,824)	(341)	–	–	(3,165)
Impairment loss	238	45	–	–	283
Exchange realignment	(270)	(69)	–	–	(339)
At 31 December 2021	27,112	8,155	107	–	35,374
Carrying amount					
At 31 December 2021	16,281	1,446	–	–	17,727
At 31 December 2020	18,858	2,020	–	–	20,878

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

(b) Right-of-use assets

	Properties leased for own use HK\$'000	Furniture & Fixtures, equipment HK\$'000	Total HK\$'000
Cost			
At 1 January 2020	166,207	452	166,659
Addition through acquisitions of subsidiaries and businesses (Note 39)	39,598	–	39,598
Additions (Note)	55,007	–	55,007
Written off	(10,097)	–	(10,097)
Exchange realignment	9,477	–	9,477
At 31 December 2020 and 1 January 2021	260,192	452	260,644
Additions (Note)	19,158	–	19,158
Exchange realignment	2,079	–	2,079
At 31 December 2021	281,429	452	281,881
Accumulated depreciation and impairment loss			
At 1 January 2020	36,871	106	36,977
Depreciation	60,848	107	60,955
Written off	(10,097)	–	(10,097)
Impairment loss	67,751	–	67,751
Exchange realignment	8,491	–	8,491
At 31 December 2020 and 1 January 2021	163,864	213	164,077
Depreciation	43,614	107	43,721
Impairment loss	512	–	512
Exchange realignment	2,325	–	2,325
At 31 December 2021	210,315	320	210,635
Carrying amount			
At 31 December 2021	71,114	132	71,246
At 31 December 2020	96,328	239	96,567

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Impairment assessment

During the year ended 31 December 2020, Ability Education Pty Ltd ("**Ability Education**") and Childrens Services Education Pty Ltd ("**CSE**") made net loss of AU\$12,523,000 (equivalent to approximately HK\$67,129,000) and AU\$3,641,000 (equivalent to approximately HK\$19,518,000), respectively, due to boundary lockdown in Australia. Since their major customers are overseas students, their revenues decreased significantly during the year and thus incurred substantial losses. In the first half year of 2021, the Directors of the Group decided to cease the adult education and training business in Australia. Details are set up in note 11.

English Connection Learning Centre Limited ("**ECLC**") operates a pre-school in Hong Kong. During the year ended 31 December 2020, ECLC made net loss of HK\$21,569,000 due to significant decrease in number of students as increase of immigration, which lead to significant decrease in revenue and therefore incurred a loss.

The Directors of the Group considered the situation, market development and future performance of the CGU and concluded there was indication for impairment and conducted impairment assessment on recoverable amounts of the property, plant and equipment and right-of-use assets with carrying amounts of HK\$17,727,000 (2020: HK\$20,878,000) and HK\$71,246,000 (2020: HK\$96,567,000) respectively. The Group estimates the recoverable amount of the cash-generating unit ("**CGU**") of Ability Education and CSE (in the segment of adult education and training) and ECLC (in the segment of early childhood education business) including the goodwill arising from acquisition from Ability Education, CSE and ECLC, to which the asset belongs when it is not possible to estimate the recoverable amount individually, including allocation of corporate assets when reasonable and consistent basis can be established.

The recoverable amounts of CGUs of Ability Education, CSE and ECLC have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecast approved by the Directors of the Group covering the following 5 years with a pre-tax discount rate is 10.04%, 11.40% and 11.97%, respectively as at 31 December 2020. Key assumptions are set out in Note 19. Another assumption for the value in use calculated is the budgeted major operating expenses including commissions and staff costs, which is determined based on the CGUs' past performance and management expectations for the market development. The growth rates and discount rate have been assessed as at 31 December 2021 taking into consideration higher degree of estimation uncertainties in the current year due to uncertainty on how the Covid-19 pandemic may progress and evolve and volatility in financial markets, including potential disruptions of the Group's education business in Australia and Hong Kong. The recoverable amount of Ability Education, CSE and ECLC are HK\$0.

During the year ended 31 December 2021, Columbia Junior Academy Pte Limited ("**CJA**") has closed operation in Singapore in October 2021 and SDM Childcare Centre (Bartley) Pte. Ltd ("**Bartley**") made net loss of SGD192,000 (equivalent to approximately HK\$1,112,000). The recoverable amounts of CGUs of CJA and Bartley have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecast approved by the Directors of the Group covering the following 5 years with a pre-tax discount rate is 14% as at 31 December 2021.

Based on the assessment and the allocation, impairment loss of HK\$283,000 (2020: HK\$4,685,000) and HK\$512,000 (2020: HK\$67,751,000), have been recognised against the carrying amount of property, plant and equipment and right-of- use assets respectively.

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For the year ended 31 December 2021

19. GOODWILL

	Acquired dancing business HK\$'000	Early childhood education business HK\$'000	Adult education and training business HK\$'000	Provision of swallowing and speech treatment business HK\$'000	Provision of photographic services business HK\$'000	Total HK\$'000
Cost						
At 1 January 2020	1,897	41,667	21,038	15,147	9,725	89,474
Acquired on acquisitions of subsidiaries and business (Note 39)	–	36,010	14,147	–	–	50,157
Exchange realignment	–	2,959	3,224	–	–	6,183
At 31 December 2020 and 1 January 2021	1,897	80,636	38,409	15,147	9,725	145,814
Acquired on acquisitions of subsidiaries and business (Note 39)	–	6,457	–	–	–	6,457
Exchange realignment	–	(2,213)	–	–	–	(2,213)
At 31 December 2021	1,897	84,880	38,409	15,147	9,725	150,058
Accumulated impairment loss:						
At 1 January 2020	1,897	–	–	2,400	1,600	5,897
Impairment loss	–	2,446	38,409	–	–	40,855
At 31 December 2020 and 1 January 2021	1,897	2,446	38,409	2,400	1,600	46,752
Impairment loss	–	3,596	–	–	–	3,596
At 31 December 2021	1,897	6,042	38,409	2,400	1,600	50,348
Carrying amount						
At 31 December 2021	–	78,838	–	12,747	8,125	99,710
At 31 December 2020	–	78,190	–	12,747	8,125	99,062

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. GOODWILL (CONTINUED)

Goodwill are allocated to each business as follows:

	2021 Cost HK\$'000	2021 Accumulated impairment HK\$'000	Net HK\$'000	2020 Cost HK\$'000	2020 Accumulated impairment HK\$'000	Net HK\$'000
Acquired Dancing Business	1,897	(1,897)	-	1,897	(1,897)	-
Early childhood education business						
Columbia Academy Pte Limited and Columbia Junior Academy Pte Limited (collectively referred to as the "Columbia Group")	10,889	(926)	9,963	10,889	-	10,889
Tinkerland Private Limited ("Tinkerland")	9,305	-	9,305	9,305	-	9,305
Between Two Trees Pte Limited and The Lighthouse Keepers Pte Limited (collectively referred to as the "BTT Group")	5,751	-	5,751	5,751	-	5,751
ECLC (as defined in Note 39)	2,446	(2,446)	-	2,446	(2,446)	-
Happy Family Businesses (as defined in Note 39)	7,338	-	7,338	7,338	-	7,338
Brain Explorers Businesses (as defined in Note 39)	2,670	(2,670)	-	2,670	-	2,670
Tinytots Sports (as defined in Note 39)	3,796	-	3,796	3,796	-	3,796
Moriah Group (as defined in Note 39)	5,867	-	5,867	5,867	-	5,867
Ichiban Entities (as defined in Note 39)	3,234	-	3,234	3,234	-	3,234
Global Tots Group (as defined in Note 39)	33,584	-	33,584	29,340	-	29,340
	84,880	(6,042)	78,838	80,636	(2,446)	78,190
Adult education and training business						
Ability Education (as defined in Note 39)	22,960	(22,960)	-	22,960	(22,960)	-
CSE (as defined in Note 39)	15,449	(15,449)	-	15,449	(15,449)	-
	38,409	(38,409)	-	38,409	(38,409)	-
Provision of swallowing and speech treatments business						
Hong Kong Speech & Swallowing Therapy Co. Limited ("Hong Kong Speech")	15,147	(2,400)	12,747	15,147	(2,400)	12,747
Provision of photographic services business						
Stage Production House Limited (formerly known as Stage Photography Company Limited) ("Stage Production")	9,725	(1,600)	8,125	9,725	(1,600)	8,125
	150,058	(50,348)	99,710	145,814	(46,752)	99,062

The recoverable amount of the relevant CGUs is determined based on a value in use calculation. The calculations use cash flow projections based on financial budgets approved by management covering a 5-year period, and at discount rates as at 31 December 2021. The CGUs' cash flows beyond the 5-year period are extrapolated using a growth rate as at 31 December 2021 that is with reference to the historical performance of the relevant CGUs and the relevant industry growth forecasts that do not exceed the average long-term growth rate for the relevant industry.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. GOODWILL (CONTINUED)

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

	2021	2020
Early childhood education business		
– Singapore		
Average growth rate (within 5-year period)	18.90%	18.90%
Average growth rate (beyond 5-year period)	1.46%	1.46%
Discount rate	14.00%	14.00%
– Hong Kong		
Average growth rate (within 5-year period)	N/A	31.39%
Average growth rate (beyond 5-year period)	N/A	2.50%
Discount rate	N/A	11.97%
Ability Education (under adult education and training business)		
Average growth rate (within 5-year period)	N/A	21.21%
Average growth rate (beyond 5-year period)	N/A	2.42%
Discount rate	N/A	10.04%
CSE (under adult education and training business)		
Average growth rate (within 5-year period)	N/A	15.73%
Average growth rate (beyond 5-year period)	N/A	2.50%
Discount rate	N/A	11.40%
Provision of swallowing and speech treatments business		
Average growth rate (within 5-year period)	9.00%	9.00%
Average growth rate (beyond 5-year period)	2.50%	2.50%
Discount rate	15.00%	15.00%
Provision of photographic services business		
Average growth rate (within 5-year period)	4.40%	4.40%
Average growth rate (beyond 5-year period)	2.50%	2.50%
Discount rate	15.00%	15.00%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

19. GOODWILL (CONTINUED)

As at 31 December 2021

After reviewing business plans and cashflow forecast for coming five years, the directors of the Company have consequently determined impairment of goodwill directly related to CJA and Bartley amounting to HK\$3,596,000. The impairment loss on goodwill has been presented as a separate item in profit or loss. All of the recoverable amounts of the CGUs of CJA and Bartley amounted to HK\$0 as at 31 December 2021.

As at 31 December 2020

As disclosed in Note 18 to the consolidated financial statements, after reviewing business plans and cashflow forecast for coming five years, the directors of the Company have consequently determined impairment of goodwill directly related to Ability Education, CSE and ECLC amounting to AU\$3,846,000 (equivalent to approximately HK\$22,960,000), AU\$2,588,000 (equivalent to approximately HK\$15,449,000) and HK\$2,446,000, respectively. The impairment loss on goodwill has been presented as a separate item in profit or loss. All of the recoverable amounts of the CGUs of Ability Education, CSE and ECLC amounted to HK\$0 as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

20. INTANGIBLE ASSETS

	Customer relationships HK\$'000	Brand name HK\$'000	Trademark HK\$'000	Intellectual property HK\$'000	Total HK\$'000
Cost					
At 1 January 2020	10,261	5,403	–	–	15,664
Acquired on acquisitions of subsidiaries and business (Note 39)	21,333	–	9,445	37,948	68,726
Exchange realignment	754	26	728	591	2,099
At 31 December 2020 and 1 January 2021	32,348	5,429	10,173	38,539	86,489
Acquired on acquisitions of subsidiaries (Note 39)	452	–	–	–	452
Exchange realignment	90	–	–	–	90
At 31 December 2021	32,890	5,429	10,173	38,539	87,031
Accumulated amortisation					
At 1 January 2020	2,393	–	–	–	2,393
Charge for the year	5,442	–	–	–	5,442
Exchange realignment	112	–	–	–	112
At 31 December 2020 and 1 January 2021	7,947	–	–	–	7,947
Charge for the year	7,379	–	–	–	7,379
Exchange realignment	1,069	–	–	–	1,069
At 31 December 2021	16,395	–	–	–	16,395
Carrying amount					
At 31 December 2021	16,495	5,429	10,173	38,539	70,636
At 31 December 2020	24,401	5,429	10,173	38,539	78,542

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

The management of the Company assesses the possible impairment of the Group's intangible assets at end of each reporting period. At the end of the reporting period, the carrying value of intangible assets of HK\$70,636,000 (2020: HK\$78,542,000). HK\$nil impairment loss has been recognised for the year (2020: HK\$nil). This situation will be closely monitored, and adjustments made in future periods, if future market activity indicates that such adjustments are appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

21. INTERESTS IN JOINT VENTURES AND LOANS TO JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Interests in joint ventures		
Cost of unlisted investment in joint ventures	156	156
Share of post-acquisition losses	–	–
	156	156
Loan to a joint venture		
Loan to Guangzhou Delilong (as defined below)	2,285	2,285
Share of post-acquisition losses	(1,528)	(1,333)
	757	952

The loan to Guangzhou Delilong is unsecured, non-interest bearing and financed to it for its business development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

As at 31 December 2021 and 2020, details of the Group's interests in joint ventures which are unlisted corporate entities whose quoted market price is not available, are as follows:

Name of joint venture	Form of business structure	Place of incorporation	Place of business	Particulars of issued and paid up capital/ registered capital "	% of interest held as at 31 December		Principal activities
					2021 %	2020 %	
廣州德理隆商務服務有限公司 ("Guangzhou Dellong") (note a)	Co-operative joint venture "	PRC	PRC	-	66	66	Operation of kindergartens
Milang and Rainbow Limited ("Milang and Rainbow")	Co-operative joint venture "	BVI	Hong Kong	US\$40,000	50	50	Inactive
Mutual Bright Corporation Limited ("Mutual Bright") (note b)	Co-operative joint venture "	Hong Kong	Hong Kong	HK\$2	N/A	N/A	Jazz and ballet academy
Well Team International Development Limited ("Well Team") (note b)	Co-operative joint venture "	Hong Kong	Hong Kong	HK\$2	N/A	N/A	Jazz and ballet academy

Notes:

- (a) Guangzhou Dellong is jointly controlled by the Group and the other investor by virtue of contractual arrangements between both parties. Therefore, it is classified as joint venture of the Group.
- (b) During the year ended 31 December 2020, the Group acquired remaining 50% equity interest in Well Team, and meanwhile disposed its entire interest in Mutual Bright. Accordingly, Well Team has become a subsidiary of the Group. The Group derecognised both Well Team and Mutual Bright as investments in joint ventures, and accounted for the business combination under acquisition method for Well Team. Detail of transactions are set out in note (f) in 39(ii).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Summarised financial information of the joint ventures

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

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

Guangzhou Delilong

	2021 HK\$'000	2020 HK\$'000
Current assets	2,723	2,804
Non-current assets	194	1,095
Current liabilities	(5,232)	(5,918)
Net liabilities	(2,315)	(2,019)
Included in the above assets and liabilities:		
Cash and cash equivalent	1,594	1,720
Current financial liabilities (excluding trade and other payables and provision)	(2,577)	(2,495)
	2021 HK\$'000	2020 HK\$'000
Revenue	15,135	8,747
Loss and total comprehensive loss for the year	(295)	(1,946)
Included in the above loss for the year:		
Depreciation and amortisation	7	10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Summarised financial information of the joint ventures (Continued)

Guangzhou Delilong (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Net liabilities of Guangzhou Delilong	(2,315)	(2,019)
Proportion of ownership interests in Guangzhou Delilong held by Group	66%	66%
	(1,528)	(1,333)
Loan to Guangzhou Delilong	2,285	2,285
Carrying amount of the Group's interest in Guangzhou Delilong in the consolidated financial statements	757	952

Well Team

	Period from 1 January 2020 to 17 April 2020 HK\$'000
Revenue	1,116
Loss and total comprehensive loss for the period/year	(133)
Included in the above loss for the period/year:	
Depreciation and amortisation	146

Aggregate information of joint ventures that are not individually material

	2021 HK\$'000	2020 HK\$'000
The Group's share of profit from operations and total comprehensive income	–	–
Carrying amount of the Group's interest in the joint ventures	156	156

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. INTEREST IN AN ASSOCIATE

	2021 HK\$'000	2020 HK\$'000
Interest in an associate	1,546	1,438

Name of associate	Form of business structure	Place of incorporation and business	Issued and fully paid share capital	% if attributable equity interest held as at 31 December		Principal activities
				2021 %	2020 %	
Sunflower Preschool @ Dakota Pte. Ltd ("Dakota")	Limited liabilities company	Singapore	S\$50,000	49%	49%	Operation of kindergartens

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

Summarised financial information of the associate

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

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

	2021 HK\$'000	2020 HK\$'000
Current assets	759	686
Non-current assets	2,574	3,291
Current liabilities	(721)	(1,336)
Non-current liabilities	(2,196)	(2,231)
Net assets	416	410
Included in the above amounts of assets and liabilities:		
Cash and cash equivalents	222	205
Current financial liabilities (excluding trade and other payables and provision)	(50)	(27)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22. INTEREST IN AN ASSOCIATE (CONTINUED)

Summarised financial information of the associate (Continued)

	2021 HK\$'000	2020 HK\$'000
Revenue	2,432	2,749
Profit and total comprehensive income for the year	327	330
Included in the above profit for the year: Depreciation and amortisation	348	449

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

	2021 HK\$'000	2020 HK\$'000
Net assets of Dakota Pte Ltd	416	410
Proportion of ownership interest in Dakota Pte Ltd held by the Group	49%	49%
	204	201
Goodwill	1,342	1,237
Carrying amount of the investments in Dakota Pte Ltd in the consolidated financial statements	1,546	1,438

23. DEPOSITS FOR ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

During the years ended 31 December 2021 and 2020, the Group entered into a number non-legal binding term sheets/memorandum of understandings and sale and purchase agreements with different vendors, to acquire either entire or partial interests in a number of entities/businesses which principal activities in education sector in Thailand and Singapore. Pursuant to the respective term sheets/memorandum and sale and purchase agreements, the Group paid aggregate amount as earnest monies/deposits which will be utilised to settle part of the purchase consideration in the future.

The deposit of \$3,038,297 (equivalent to approximately HK\$17,723,000) was made in 2019 for the acquisition of entities principally operating in the education sector in Thailand. The Group and the vendor agreed that, in the event the relevant acquisition was not able to be completed by 31 December 2021, all right, interest and title of the Group on the deposit shall be forfeited. Since the completion of the acquisition has not taken place by 31 December 2021, the deposit of \$3,038,297 (equivalent to approximately HK\$17,723,000) was forfeited accordingly.

The deposits of HK\$18,187,000 as at 31 December 2021 (2020: HK\$33,770,000) were related to the acquisitions under process.

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24. INVENTORIES

	2021 HK\$'000	2020 HK\$'000
Finished goods – uniforms, shoes, accessories and others	1,958	2,204

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK\$'000	2020 HK\$'000
Trade receivables	5,052	3,546
Less: ECL allowance	(294)	(294)
	4,758	3,252
Rental deposits	13,289	15,243
Loan receivables (Note a)	16,295	16,554
Franchising fee income receivable	7,639	5,901
Management fee income receivable	8,557	7,424
Other deposits, receivables and prepayments	13,615	17,721
Total trade and other receivables, deposits and prepayments	64,153	66,095
Less: Non-current portion		
Rental deposits	(5,634)	(9,578)
Loan to holding company of an associate (Note a)	(5,350)	(15,803)
Loan to third party (Note b)	–	(751)
Other receivables	(2,322)	(402)
Deposit for acquisition of property, plant and equipment	–	(1,077)
Non-current portion	(13,306)	(27,611)
Current portion	50,847	38,484

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

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For the year ended 31 December 2021

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

Notes:

- (a) The loan to holding company of an associate represented advances of S\$2,695,000 (equivalent to approximately HK\$15,821,000) (2020: S\$2,695,000 (equivalent to approximately HK\$15,803,000)) to the shareholders of an associate, which are unsecured, interest bearing at 2.81% to 4.19% and repayable in June 2022 to Dec 2023. For the advance of S\$926,000 (equivalent to approximately HK\$5,350,000) (2020: S\$926,000 (equivalent to approximately 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.
- (b) The loan to third party represented advance of S\$128,000 (equivalent to approximately HK\$739,000) (2020: S\$128,000 (equivalent to approximately 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.

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

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

	2021 HK\$'000	2020 HK\$'000
0 – 3 months	2,817	1,852
3 – 6 months	222	194
Over 6 months	1,719	1,206
	4,758	3,252

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

	2021 HK\$'000	2020 HK\$'000
Balance at 1 January	294	400
ECL allowance recognised during the year	–	242
Exchange realignment	–	(23)
ECL allowance reversed during the year	–	(325)
Balance at 31 December	294	294

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For the year ended 31 December 2021

26. DEFERRED INCOME AND CONTRACT COSTS

26.1 Deferred income

	2021 HK\$'000	2020 HK\$'000
Deferred income arising from		
– dance academy classes contracts	28,163	32,931
– adult language courses contracts	4,661	2,393
– other contracts	–	3,723
	32,824	39,047

Deferred income mainly represents the course fee received in advance pursuant to the contracts with customers, this will give rise to deferred income at the start of a contract until the revenue recognised exceeds the amount of the advance payments. The decrease in deferred income as at 31 December 2021 was mainly due to discontinued operation in Australia. The decrease in deferred income as at 31 December 2020 was mainly due to less visa approval for overseas travelling due to COVID-19.

Deferred income outstanding at the beginning of the year amounting to HK\$32,519,000 (2020: HK\$43,434,000) have been recognised as revenue during the year.

Unsatisfied long-term contracts

The transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2021 and 2020 are as follows:

	2021 HK\$'000	2020 HK\$'000
Within one year	31,450	37,531
More than one year	1,374	1,516
	32,824	39,047

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

26. DEFERRED INCOME AND CONTRACT COSTS (CONTINUED)

26.2 Assets recognised from incremental costs of obtaining a contract

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

	2021 HK\$'000	2020 HK\$'000
Asset recognised from incremental costs of obtaining a contract	–	1,478

Contract costs are recognised as part of “advertising and promotion expenses” in the consolidated statement of profit or loss and other comprehensive income in the period in which revenue from provision of language courses is recognised. The amount of sales commission recognised in profit or loss during the year ended 31 December 2021 was HK1,395,000 (2020: HK\$11,510,000). The balance has been fully impaired due to the cessation of Australia segment during the year (2020: HK\$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

27. AMOUNTS DUE FROM/(TO) RELATED PARTIES

Amounts due from related parties

	2021 HK\$'000	2020 HK\$'000
Amount due from a joint venture:		
– Guangzhou Delilong	–	1
Amounts due from other related parties:		
– Dr. Chun Chun	583	537
– Wealthy Together (Note i)	3,974	63
– Rainbow Creative Arts Limited (“ Rainbow ”) (Note ii)	769	2,503
– Dunn’s Education Limited (“ Dunn’s Education ”) (Note iii)	–	587
– E.L.S.A. EDU. Limited (“ E.L.S.A ”) (Note iii)	–	14
– Excel Concept Technology Development Limited (“ Excel Concept ”) (Note ii)	4,898	4,898
– Red Vocal Limited (“ Red Vocal ”) (Note iv)	265	531
– 廣州市白雲區南湖外語藝術幼兒園 (“ 南湖幼兒園 ”) (Note v)	–	49
– Others	336	342
	10,825	9,524
Impairment loss allowance	(924)	(659)
	9,901	8,865
Total amounts due from related parties	9,901	8,866

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

Amounts due from related parties (Continued)

	2021 HK\$'000	2020 HK\$'000
Amount due to a joint venture:		
– Milang & Rainbow	125	123
Amount due to directors:		
– Chiu Ka Lok	6,555	–
– Chun Chi Ngon Richard	3,300	–
– Yeung Siu Foon	1,500	1,450
	11,355	1,450
Amounts due to other related parties:		
– Rainbow (Note ii)	114	114
– TIM EDPlatform Ltd (“TIM EDPlatform”) (Note vii)	81	81
– Hong Kong Association of Children Dance Promotion Company Limited (“HKACD”) (Note vi)	657	371
– Excel Concept (Note ii)	1,390	1,290
	2,242	1,856
Total amounts due to related parties	13,722	3,429

Notes:

- (i) Wealthy Together is 100% beneficially owned by the Controlling Shareholder.
- (ii) Rainbow and Excel Concept are 100% beneficially owned and controlled by the Controlling Shareholder.
- (iii) Dunn’s Education is 33.33% beneficially owned and controlled by the Controlling Shareholder and E.L.S.A. is 75% beneficially owned and controlled by Dunn’s Education.
- (iv) Red Vocal is 50% beneficially owned and controlled by Excel Concept.
- (v) 南湖幼兒園 is 100% beneficially owned and controlled by Guangzhou Delilong, a joint venture of the Group.
- (vi) HKACD is 100% owned and controlled by a director of the Group.
- (vii) TIM EDPlatform is 73% beneficially owned and controlled by Excel Concept and the Controlling Shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

All balances as at 31 December 2021 and 2020 are unsecured, non-interest bearing and repayable on demand which are classified as current as they are expected to be recovered within twelve months from the end of reporting period. The amounts due from related companies are non-trade in nature. As at 31 December 2021, amounts due from related parties included lease receivables for short term leases of HK\$3,701,000 (2020: HK\$3,088,000).

Details of impairment assessment of amounts due from related parties for the year ended 31 December 2021 are set out in Note 43.4.

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

	2021 HK\$'000	2020 HK\$'000
Amounts due from joint venture:		
– Guangzhou Delilong	–	1
Amounts due from other related parties:		
– Dr. Chun Chun	2,600	604
– Wealthy Together	3,354	63
– Rainbow	236	2,596
– Dunn's Education	–	636
– E.L.S.A.	–	14
– Excel Concept	4,898	4,898
– Red Vocal	–	531
– 南湖幼兒園	750	49
– Others	863	724

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

28. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHARE HOLDERS OF SUBSIDIARIES

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

29. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

Cash and cash equivalents include the following components:

	2021 HK\$'000	2020 HK\$'000
Cash at bank and in hand	29,508	49,161
Less: Pledged time deposits	–	(10,703)
Cash and cash equivalents as stated in the consolidated statement of financial position and consolidated statement of cash flows	29,508	38,458

The bank balances carried interest at average market rates of 0.1% (2020: 0.1%) per annum as at 31 December 2021. As at 31 December 2020, pledged time deposits earn interest ranging at 0.14% to 1.55% per annum and have a maturity of seven days to three months.

Included in cash and cash equivalents and time deposits of the Group is HK\$128,000 (2020: HK\$145,000) of bank balances denominated in Renminbi (“RMB”) placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC’s Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

30. TRADE AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables	868	326
Accrued staff costs	4,044	4,476
Accrued interest expenses on corporate bonds	–	2,096
Accrued audit fee	1,600	4,280
Accrued construction costs	–	746
Advance receipts from customers for examination and competition	7,251	3,085
Customer deposits	9,330	7,054
Other payables and accrued charges (Note)	34,746	17,993
	57,839	40,056

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

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

Note: Included in the Group's other payables and accrued charges as at 31 December 2021 were amounts of HK\$8,646,000 and HK\$2,672,000 (2020: HK4,786,000 and HK\$2,112,000), which represented agency commission payable and other tax payable, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. CONSIDERATION PAYABLES

	2021 HK\$'000	2020 HK\$'000
Under current liabilities		
– acquisition for Global Win Group	–	128,400
– acquisition for CSE (Note 39(b))	–	2,696
– acquisition for Global Tots Group* (Note 39(d))	–	22,306
– acquisition for Ichiban Entities (Note 39(c))	–	540
	–	153,942
Measured at:		
FVTPL	–	128,400
Amortised cost	–	25,542
	–	153,942

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of Global Win Group

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

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

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

As at 31 December 2021, 80,000,000 new ordinary shares of the Company had been fully issued in accordance with the Global Win S&P Agreements.

The Global Win Consideration Payable is recognised at fair value. Subsequent to the initial recognition, the Global Win Consideration Payable is measured at fair value with changes in fair value recognised in profit or loss. The fair value of the Global Win Consideration Payable at the date of obtaining the control of Global Win of HK\$36,000,000 is determined by reference to the quoted market price of HK\$0.45 per each of the ordinary shares of the Company at the date of obtaining the control of Global Win. As at 31 December 2020, the fair value of the Global Win Consideration Payable is HK\$128,400,000 which is determined by reference to the quoted market price of HK\$2.40 per each of the ordinary shares of the Company at 31 December 2020. During the year ended 31 December 2021, 26,500,000 shares were issued at HK\$0.51 per shares in July 2021 and 27,000,000 shares were issued at HK\$0.40 per shares in October 2021 (2020: 26,500,000 shares were issued at HK\$2.41 per shares) (note 36). The Group recognised a gain on change in fair value of Global Win Consideration Payable of HK\$104,085,000 (2020: loss on change in fair value HK\$106,665,000) in profit or loss during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of CSE

Pursuant to the sale and purchase agreement dated 14 January 2019 and supplemental agreements (collectively referred to “**CSE S&P Agreements**”) entered into by a wholly-owned subsidiary of the Company and the vendor of CSE (as defined in Note 39), the Group acquired the entire equity interest of CSE at consideration of AU\$2,628,000 (equivalent to approximately HK\$14,367,000). AU\$1,129,000 (equivalent to approximately HK\$6,172,000) out of the total shall be settled by ten equal instalments. As at 31 December 2021, the balance was fully settled.

Acquisition of Global Tots Group

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

31. CONSIDERATION PAYABLES (CONTINUED)

Acquisition of Ichiban Entities

Pursuant to the first term sheet dated 23 September 2019, the supplemental term sheet dated 28 February 2020 and the sales and purchase agreement dated 1 April 2020 (collectively referred to "Ichiban S&P Agreements"), entered into by a wholly-owned subsidiary of the Group and the vendors, the Group acquired the pre-schools business at cash consideration of S\$692,000 (equivalent to approximately HK\$3,737,000).

Acquisition of Cherie Hearts

Pursuant to the MOU dated 16 June 2020 and sales and purchase agreement dated 27 October 2020 (collectively referred to "Cherie Hearts Agreement"), entered into by a wholly-owned subsidiary of the Group and the vendors, the Group acquired the pre-schools business at cash consideration of S\$1,200,000 (equivalent to approximately HK\$6,934,000). As at 31 December 2021, the balance was fully settled.

32. PROVISIONS

The amount represents provision for reinstatement cost:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	12,290	9,243
Additions	–	485
Acquired on acquisitions of subsidiaries and businesses (Note 39)	144	2,384
Utilised during the year	(431)	(368)
Exchange realignment	(175)	546
As at 31 December	11,828	12,290
Analysed as:		
– current	4,126	2,396
– non-current	7,702	9,894
	11,828	12,290

The provision is made based on the best estimate of the reinstatement costs for restoring the leased properties at the end of the respective reporting period which will be the expected timing of the outflows of economic benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS

	Notes	2021 HK\$'000	2020 HK\$'000
Current			
Bank borrowings	(a)	15,282	2,342
Other borrowings	(b)	34,077	–
Corporate bonds	(c)	–	50,000
Convertible notes	(d)	281,775	41,643
Non-current			
Other borrowing	(b)	5,390	–
Convertible notes	(d)	–	248,040
		336,524	342,025

(a) Bank borrowings

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	15,282	2,342

As at 31 December 2021, the interest rate of the Group's bank loans as at 31 December 2021 was 2.5% per annum below HKD prime rate. The bank loans are guaranteed by an executive director.

As at 31 December 2020, a bank loan of HK\$95,000 bears variable interest at Best Lending Rate plus 1% per annum. The bank loan is secured by a property of a non-executive director and also guaranteed by a non-executive director for unlimited amount.

As at 31 December 2020, a bank loan of HK\$2,247,000 bears variable interest at Hong Kong Interbank Offered Rate plus 1.7% or the bank's cost of funds, whichever is higher, per annum. It is secured by two properties of a non-controlling shareholder of a subsidiary and also guaranteed by this non-controlling shareholder of a subsidiary for unlimited amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS (CONTINUED)

(b) Other borrowing

As at 31 December 2021, a loan of HK\$31,000,000 (2020: HK\$nil) included in the current portion bears interest at 20.625% per annum for the first three months from the date of drawdown, and 17.175% per annum for the fourth and twelfth months from the date of drawdown. The loan was guaranteed by Dr. Chun Chun and Mr. Chiu Ka Lok and pledged by properties owned by Dr. Chun Chun and Mr. Chiu Ka Lok.

As at 31 December 2021, a loan of S\$933,000 (equivalent to approximately HK\$5,390,000) (2020: nil) included in the non-current portion bears interest at 7.25% to 8% per annum and repayable in 2025 to 2026.

(c) Corporate bonds

Corporate bonds issued during the year ended 31 December 2020

On 2 January 2020, the Company and Innovax Securities Limited entered into a placing agreement for the placing of unlisted bonds issued by the Company with an aggregate principal amount of up to HK\$50,000,000. The bonds carry interest at 10% per annum and will be matured on 31 December 2021. One of the investors is a substantial shareholder of the Company who has committed to subscribe for HK\$49,600,000 of the principal amount of such unlisted bonds.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS (CONTINUED)

(d) Convertible notes

Singapore Convertible Note

Movements of Singapore Convertible Note as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	248,040	204,466
Fair value change in profit or loss	20,744	44,581
Exchange realignment	(3,946)	(1,007)
As at 31 December	264,838	248,040

On 24 December 2018 and 12 February 2019, the Company, SDM Asia Limited (the “**Issuer**”), a wholly-owned subsidiary of the Company, and an independent investor (the “**Investor**”) entered into a Singapore CN Subscription Agreement and an amendment deed to the Singapore CN Subscription Agreement (the “**Singapore Amendment Deed**”) respectively. Pursuant to the Singapore CN Subscription Agreement and the Singapore Amendment Deed, the Issuer conditionally agreed to issue and the Investor conditionally agreed to subscribe for the Singapore Convertible Note in the principal amount of US\$25,000,000 (equivalent to approximately HK\$195,400,000). The Singapore Convertible Note bears coupon interest at the rate of 8% per annum, payable upon redemption by the noteholder on the maturity date in 2023. The Singapore Convertible Note shall be converted into new preference shares of the Issuer upon the occurrence of certain events as detailed in the Singapore CN Subscription Agreement and the Singapore Amendment Deed.

All the conditions precedent to the Singapore CN Subscription Agreement (as amended and supplemented by the Singapore Amendment Deed) had been fulfilled and the completion took place on 12 February 2019. Accordingly, the Singapore Convertible Note in the principal amount of US\$25,000,000 (equivalent to approximately HK\$195,400,000) has been issued by the Issuer to the Investor.

The Singapore Convertible Note is guaranteed by the Company and secured by the entire equity interest in SDM Asia Limited held by the Group (Note 40).

As at 31 December 2021, the Singapore Convertible Note measured at fair value through profit or loss amounted to HK\$264,838,000 were recorded as current liabilities (2020: HK\$248,040,000 as non-current liabilities).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS (CONTINUED)

(d) Convertible notes (Continued)

Australia Convertible Note

Movements of Australia Convertible Note as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	41,643	–
Issuance	3,887	39,000
Fair value change in profit or loss	–	2,883
Fair value change on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	(31,566)	–
Exchange realignment	2,973	(240)
As at 31 December	16,937	41,643

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

Pursuant to the Australia CN Subscription Agreement, SAEL conditionally agreed to issue and Golden Pursue Limited has conditionally agreed to subscribe for Australia Convertible Note in the principal amount of US\$5,000,000 (equivalent to approximately HK\$39,000,000). The Australia Convertible Note bears coupon interest at the rate of 8% per annum. Unless previously redeemed, converted or repaid and cancelled in accordance with the terms and conditions of Australia CN Subscription Agreement, the Australia Convertible Note has a term of 48 months.

On 5 January 2021, the Australia Convertible Note has been fully redeemed and the Group was discharged and released from all obligations and responsibilities under such convertible note. On the same day, the Company entered into a new subscription agreement with the same investor to issue convertible note in principal amount of up to US\$6,350,000 (equivalent to approximately HK\$49,530,000). The Australia Convertible Note bears coupon interest at the rate of 8% per annum. Unless previously redeemed, converted or repaid and cancelled in accordance with the terms and conditions of Australia CN Subscription Agreement, the Australia Convertible Note will be matured on 30 April 2024.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS (CONTINUED)

(d) Convertible notes (Continued)

Australia Convertible Note (Continued)

The principal conversion and redemption terms are as follows:

Redemption at maturity

Unless previously redeemed, converted or repaid and cancelled as provided in the notes instrument, and subject to its conversion restriction, the Group shall redeem the Australia Convertible Note on the maturity date.

Redemption at the option of the Group

The Group shall have the right to redeem some or all of the Australia Convertible Note during any time between 18 months after the issue date and the maturity date.

Redemption for a relevant event

Following the occurrence of a relevant event, the holder of Australia Convertible Note shall have the right to require the Group to redeem some or all of such noteholder's Australia Convertible Note.

Redemption upon event of default

If any of the event of default occurs, then noteholders holding in aggregate not less than 25% of the principal amount of the Australia Convertible Note then outstanding may, at their discretion, give notice to the Group that their Australia Convertible Note are, and they shall immediately become, due and repayable at an amount equal to the sum of (i) 100% of the principal amount outstanding of the Australia Convertible Note to be repaid together with interest accrued to the date of repayment and (ii) such amount as would result in an internal rate of return on the Australia Convertible Note to be repaid of 20% per annum from the issue date to the date of repayment, and the noteholders are entitled to immediately exercise their rights and remedies under the Australia Convertible Note without the need to give any notice referred to above to the Group.

As disclosed in note 11, the Group has ceased Australia operation on 27 April 2021, despite of this event, the Group has obtained confirmation from the investor that he did not intend to exercise early redemption option before 30 June 2023.

Conversion right

The Australia Convertible Note shall entitle the noteholder to convert such Australia Convertible Note into conversion shares credited as fully paid at any time during any time after 6 months from the issue date up to the close of business on the third day prior to the maturity date or, if such Australia Convertible Note shall have been called for redemption by the noteholders prior to the maturity date, then at any time after the issue date up to the close of business on a date no less than three days prior to the date fixed for redemption thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

33. BORROWINGS (CONTINUED)

(d) Convertible notes (Continued)

Australia Convertible Note (Continued)

The Australia Convertible Note is guaranteed by the Company and secured by the entire equity interest in SAEL held by the Group.

As at 31 December 2021, only US\$5,850,000 (equivalent to approximately HK\$45,630,000) (2020: US\$5,000,000 (equivalent to approximately HK\$39,000,000)) of the Australia Convertible Note has not been redeemed.

According to Australia CN Subscription Agreement, when the EBITDA of SAEL are lower than USD1,250,000 for and any financial year prior to the maturity date, the noteholders shall have absolute right to demand for full redemption. The Group are unable to meet this target for the year ended 31 December 2021 and 2020 and therefore the Australia Convertible Note were recorded as current liabilities as at 31 December 2021 and 2020.

The Company designated each of Singapore Convertible Note and Australia Convertible Note (including the conversion option) as financial liabilities at FVTPL which are initially recognised at fair value. In subsequent periods, such convertible notes are remeasured at fair value with changes in fair values recognised in profit or loss. Transaction costs relating to the issuance of the convertible notes are charged to profit or loss immediately.

The carrying amount of all convertible notes recognised in the consolidated statement of financial position is calculated as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	289,683	204,466
Issuance of convertible notes	3,887	39,000
Fair value changes on convertible notes through profit or loss	20,744	47,464
Fair value change on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	(31,566)	–
Exchange realignment	(973)	(1,247)
As at 31 December	281,775	289,683
Analysed as:		
Non-current	–	248,040
Current	281,775	41,643
	281,775	289,683

The amount of change in the fair value of the financial liability that was attributable to changes in the credit risk of that liability is recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

34. OBLIGATION ARISING FROM PUT OPTIONS WRITTEN TO NON-CONTROLLING SHAREHOLDERS OF A SUBSIDIARY

	2020 HK\$'000
As at 1 January	9,459
Imputed interest expense (note 9)	1,222
Re-measurement	(10,681)
	—

On 1 September 2017, Prism International Pre-School Limited ("**Prism**") entered into Investment Agreement ("**Investment Agreements I**") and supplemental agreements on 25 September 2017 and 28 September 2017, respectively, with three individual independent investors (the "**Investors**"). Pursuant to the Investment Agreements I and supplemental agreements, the Investors agreed to subscribe for and Prism agreed to allot and issue to the Investors new ordinary shares of Prism, representing a total of 35% of the enlarged entire issued ordinary share capital of Prism with a total cash consideration of HK\$10,500,000. In addition, put options were granted to the Investors in the transaction. Each of the Investors has the right pursuant to the put options, during the period of six months or such other period to be mutually agreed by the parties to the respective Investment Agreements I and supplemental agreements commencing from the issue date of the audited financial statements of Prism for the financial year ending 31 December 2022, to require Prism to purchase all (but not part) of the outstanding ordinary shares of Prism held by the Investors at an option strike price to be determined based on five times of the actual net profit after tax of Prism under the financial year ending 31 December 2022 while the total maximum amount payable by Prism to the Investors for the put options shall be an aggregate amount of HK\$12,250,000.

As at 31 December 2019, as the Investors have no right to exercise the put options until 1 January 2023 or later pursuant to the Investment Agreements I, the obligation arising from put options written to non-controlling shareholders of a subsidiary were classified as non-current liabilities.

During the year ended 31 December 2020, one out of two pre-schools was ceased due to decrease in demand and the remaining pre-school was not profitable. In the opinion of the Directors, there would be no profit for the year ending 31 December 2022. Thus, the put options were re-measured to HK\$0 as at 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. LEASE RECEIVABLES AND LIABILITIES

(a) Lease receivables

Finance lease

During the year ended 31 December 2021, the Group has made the decision to impair all lease receivables due to the cessation of Australia segment.

During the year ended 31 December 2020, the Group has sub-leased part of the premises that the Group leases in Australia as a lessee and this arrangement was classified as finance lease with reference to the terms of the head lease.

The Group recognised interest income on lease receivables of HK\$183,000 (2020: HK\$143,000).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the end of reporting period:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	–	2,378
After 1 year but within 2 years	–	1,498
After 2 years but within 3 years	–	1,557
After 3 years but within 4 years	–	132
After 4 years but within 5 years	–	–
Total undiscounted lease receivables	–	5,565
Unearned interest income	–	(221)
Present value of lease receivables	–	5,344

	2021 HK\$'000	2020 HK\$'000
Analysed as:		
Non-current	–	3,083
Current	–	2,261
	–	5,344

Interest rate implicit in the above finance leases is 3.1% (2020: 3.1%).

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities

	2021 HK\$'000	2020 HK\$'000
Total minimum lease payments:		
Due within one year	69,812	81,345
Due in the second to fifth years	83,389	118,684
Due after the fifth year	8,096	10,014
	161,297	210,043
Future finance charges on lease liabilities	(17,052)	(12,824)
Present value of lease liabilities	144,245	197,219

	2021 HK\$'000	2020 HK\$'000
Present value of minimum lease payments:		
Due within one year	64,158	75,897
Due in the second to fifth years	76,940	111,568
Due after the fifth year	3,147	9,754
	144,245	197,219
Less: Portion due within one year included under current liabilities	(64,158)	(75,897)
Portion due after one year included under non-current liabilities	80,087	121,322

As at 31 December 2021, lease liabilities amounting to HK\$144,245,000 (2020: HK\$197,219,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2021, the total cash outflows for the leases are HK\$32,706,000 (2020: HK\$36,920,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Extension options

(i) *Properties leased for own use*

The Group has obtained the right to use other properties as its dance centres, kindergartens, colleges and offices through tenancy agreements. The leases typically run for an initial period of 2 to 9 years (2020: 2 to 9 years). Several lease arrangements include variable lease component which is based on receipt of turnover, in which one of them incurred variable lease payment during the years ended 31 December 2021 and 2020.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments as at 31 December 2021 and 2020 are summarised below:

	2021		2020	
	Lease liabilities recognised (discounted) HK\$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK\$'000	Lease liabilities recognised (discounted) HK\$'000	Potential future lease payments under extension options not included in lease liabilities (undiscounted) HK\$'000
Dance centres – Hong Kong	27,246	16,068	32,285	18,187
Kindergartens – Singapore	45,722	–	64,836	–
Kindergartens – Hong Kong	5,391	3,694	21,831	7,493
Colleges – Australia	63,248	104,663	75,303	127,512
Offices	2,638	–	2,964	–
Total lease liabilities	144,245	124,425	197,219	153,192

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

35. LEASE RECEIVABLES AND LIABILITIES (CONTINUED)

(b) Lease liabilities (Continued)

Extension options (Continued)

(ii) Other leases

The Group leases office equipment under leases expiring in 4 years (2020: 5 years). Some leases include an option to renew the lease when all terms are renegotiated, while some include an option to purchase the leased equipment at the end of the lease term at a price deemed to be a bargain purchase option. None of the leases includes variable lease payments.

36. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.1 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	8,000,000	800,000
Issued:		
At 1 January 2020	354,100	35,410
Issue of consideration shares on 8 May 2020 (note a)	4,000	400
Issue of consideration shares on 22 December 2020 (note b)	26,500	2,650
At 31 December 2020	384,600	38,460
At 1 January 2021	384,600	38,460
Issue of consideration shares on 8 July 2021 (note c)	26,500	2,650
Issue of consideration shares on 19 October 2021 (note d)	27,000	2,700
Issue of consideration shares on 24 November 2021 (note e)	19,500	1,950
At 31 December 2021	457,600	45,760

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

36. SHARE CAPITAL (CONTINUED)

Note:

- (a) On 8 May 2020, the Company issued 4,000,000 ordinary shares as share consideration for the acquisition of Mutual Bright and Well Team as stated in note 39(ii)(f). The fair value of each share was HK\$1.5 on 8 May 2020.
- (b) On 22 December 2020, the Company issued 26,500,000 ordinary shares as share consideration for settlement of consideration payable on the acquisition of Global Win Group (note 31). The fair value of each share was HK\$2.41 on 22 December 2020.
- (c) On 8 July 2021, the Company issued 26,500,000 ordinary shares as share consideration for settlement of consideration payable on the acquisition of Global Win Group (note 30). The fair value of each share was HK\$0.51 on 8 July 2021.
- (d) On 19 October 2021, the Company issued 27,000,000 ordinary shares as share consideration for settlement of consideration payable on the acquisition of Global Win Group (note 30). The fair value of each share was HK\$0.40 on 19 October 2021.
- (e) On 24 November 2021, the Company issued 19,500,000 ordinary shares under the General Mandate for raising working capital. The fair value of each share was HK\$0.40 on 24 November 2021.

The share capital of the Company comprises of fully paid ordinary shares. All fully paid ordinary shares are equally eligible to receive dividends and to the repayment of capital and represent one vote at shareholders' meetings of the Company.

37. DEFERRED TAX

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	Accelerated accounting depreciation HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 January 2020	357	(2,201)	(1,844)
Exchange realignment	–	(232)	(232)
Credited to profit or loss for the year (Note 10)	(314)	909	595
Acquisitions of subsidiaries and businesses (Note 39)	–	(5,183)	(5,183)
At 31 December 2020 and 1 January 2021	43	(6,707)	(6,664)
Exchange realignment	–	67	67
Credited to profit or loss for the year (Note 10)	(13)	1,254	1,241
Acquisitions of subsidiaries and businesses (Note 39)	–	(77)	(77)
At 31 December 2021	30	(5,463)	(5,433)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

37. DEFERRED TAX (CONTINUED)

The amounts recognised in the consolidated statement of financial position are as follows:

	2021 HK\$'000	2020 HK\$'000
Deferred tax assets	30	43
Deferred tax liabilities	(5,463)	(6,707)
Net deferred tax liabilities	(5,433)	(6,664)

The Group has unrecognised tax losses of HK\$243,830,000 (2020: HK\$196,671,000) to carry forward against future taxable income. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$8,641,000 (2020: HK\$11,083,000) that will expire in five years from the year of origin. All other tax losses may be carried forward indefinitely.

At 31 December 2021, the Group has deductible temporary differences of HK\$19,611,000 (2020: HK\$22,497,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

38. SHARE-BASED EMPLOYEE COMPENSATION

The Company has a share option scheme (the "Share Option Scheme") which was adopted pursuant to a resolution passed on 26 September 2014 for the primary purpose of providing incentives to directors, eligible employees and consultants. Under the Share Option Scheme, the Board of Directors of the Company may grant options to eligible persons to subscribe for shares in the Company. Additionally, the Company may, from time to time, grant share options to outside third parties for settlement in respect of goods or services provided to the Company or to customers for maintaining business relationship. The Share Option Scheme is valid and effective for a period of 10 years from the date of adoption.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board of Directors is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant, (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

During the year ended 31 December 2021, a total of 26,730,000 share options have been granted pursuant to the Share Option Scheme (2020: 8,680,000).

The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions
Options granted on 4 October 2019		
– directors	14,164,000	These options vested immediately and exercisable within three years from the date of grant.
– employees (Note)	10,623,000	
Options granted on 11 October 2019		
– consultants	10,623,000	These options vested immediately and exercisable within one year from the date of grant.
Options granted on 11 February 2020		
– business partner and consultants	3,100,000	These options will be vested on the first anniversary of the date of grant and exercisable within one year from such anniversary date.
– employees	3,280,000	
Options granted on 25 February 2020		
– consultants	2,000,000	The options will be vested on 1 January 2023 and exercisable from 1 January 2023 to 24 February 2023 (both day inclusive). The vesting of the options is subject to the fulfilment of certain annual performance targets as determined by the Board for the year ending 31 December 2022.
– employees	300,000	
Options granted on 15 June 2021		
– employees	15,192,000	The options vested immediately and exercisable within three years from the date of grant.
– suppliers and business partners	11,538,000	
Total share options granted	70,820,000	

Note: Included 3,541,000 shares options granted to Ms. Chiu Ka Wai, an associate of the Controlling Shareholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2021		2020	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	32,667,000	1.14	35,410,000	1.07
Granted	26,730,000	0.40	8,680,000	1.26
Forfeited	–		(800,000)	1.20
Lapsed	(2,300,000)	1.10	(10,623,000)	1.00
Outstanding at 31 December	57,097,000	0.80	32,667,000	1.14
Exercisable at 31 December	30,367,000	1.14	24,787,000	1.10

No share options were exercised during the years ended 31 December 2021 and 2020.

The options outstanding at 31 December 2021 had an exercise price of HK\$0.4 to HK\$1.44 (2020: HK\$1.1 to HK\$1.44) and a weighted average remaining contractual life of 1.55 years (2020: 1.75 years).

Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The fair value of options granted were determined using binomial option pricing model. The contractual life of the share option is used as an input into this model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

38. SHARE-BASED EMPLOYEE COMPENSATION (CONTINUED)

Fair value of share options and assumptions (Continued)

The following principal assumptions were used in the valuation:

	2021	2020	
Grant date	15 June	11 February	25 February
Share price at date of grant	HK\$0.37	HK\$1.19	HK\$1.44
Expected volatility	90.48%	67.022% – 67.789%	68.26%
Expected option life	N/A	2 – 3 years	2 – 3 years
Dividend yield	0%	0%	0%
Risk-free interest rate (based on Hong Kong Government bonds yield)	0.17%	1.368% – 1.455%	1.24%
<i>Suboptimal factor*</i>	2.2	2.2	2.2
Fair value at grant date	HK\$0.165 – 0.200	HK\$0.441 – 0.537	HK\$0.66
Exercise price at date of grant	HK\$0.4	HK\$1.20	HK\$1.44

* Suboptimal factor is not applicable for external parties (i.e. business partners and consultants). Employee's suboptimal factor is estimated by empirical research.

The underlying expected volatility was determined by reference to historical data, calculated based on the weighted average remaining life of the share options, adjusted for any expected changes to future volatility based on publicly available information. Expectations of early exercise are incorporated into the binomial lattice model. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

In total, HK\$5,301,000 of expense has been recognised in profit or loss for the year ended 31 December 2021 (2020: HK\$2,209,000) and the corresponding amount of which has been credited to "Share option reserve". No liabilities were recognised due to share-based payment transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

For the year ended 31 December 2021, the Group had an acquisition due to business expansion, in acquiring a controlling stake in a company for total consideration of approximately HK\$6,934,000. For the company set out in note (i) below, in the stage with relevant economic resources as at the date of the respective acquisitions which are considered as businesses. Therefore, those acquisitions are considered as business combinations under HKFRS 3 and accounted for using acquisition method. For the other acquisitions as mentioned in note (ii) below are the companies did not have any substantial economic resources and processes for creating economic benefits; accordingly, the Group considers the nature of these acquisitions as acquisitions of assets in substance.

Year ended 31 December 2021

(i) Business combination

	Note	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration HK\$'000
Cherie Hearts @ Eastgate Pte Ltd ("Cherie Hearts")	(a)	Operation of pre-school in Singapore	1 January 2021	100%	6,934

Note:

- (a) Pursuant to a sale and purchase agreement dated 27 October 2020, the Group acquired all business assets of Cherie Hearts @ Eastgate Pte Ltd. at total cash consideration of S\$1,200,000 (equivalent to approximately HK\$6,934,000).

Acquisition-related costs amounting to HK\$49,000 have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2021 (Continued)

(i) Business combination (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	Cherie Hearts HK\$'000
Intangible assets (Note 20)	452
Trade and other receivables	872
Trade and other payables	(800)
Deferred tax liabilities (Note 37)	(77)
	447
	Cherie Hearts HK\$'000
Consideration	6,934
Fair value of identifiable net assets/liabilities acquired	(477)
Goodwill arising on acquisition	6,457

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020

(i) **Business combination**

	Notes	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration HK\$'000
Business assets of Moriah Schoolhouse LLP and Moriah Schoolhouse @ FV LLP (collectively referred to as the " Moriah Group ")	(a)	Operation of pre-school in Singapore	1 January 2020	N/A	7,531
Childrens Services Education Pty Ltd (" CSE ")	(b)	Provision of educational services in Australia	1 January 2020	100%	14,367
Business assets of Ichiban (Noble) Childcare Pte. Ltd and Ichiban (Yunnan) Childcare Centre (collectively referred to as the " Ichiban Entities ")	(c)	Operation of pre-school in Singapore	1 April 2020	N/A	3,737
Business assets of Global Tots Group	(d)	Operation of pre-school in Singapore	20 April 2020	100%	43,693
					69,328

Notes:

- (a) Pursuant to a sale and purchase agreement dated 30 September 2019, the Group acquired all business assets of Moriah Group at total cash consideration of S\$1,300,000 (equivalent to approximately HK\$7,531,000).
- (b) Pursuant to CSE S&P Agreements, the Group acquired the entire equity interest of CSE at consideration of AU\$2,628,000 (equivalent to approximately HK\$14,367,000). AU\$1,129,000 (equivalent to approximately HK\$6,172,000) out of the total shall be settled by ten equal instalments.
- (c) Pursuant to the Ichiban S&P Agreements, the Group acquired the business of the Ichiban Entities at cash consideration of S\$692,000 (equivalent to approximately HK\$3,737,000).
- (d) Pursuant to Global Tots S&P Agreements, the Group acquired Global Tots Group in full for maximum aggregate consideration of S\$8,017,000 (equivalent to approximately HK\$43,693,000). The Global Tots Group involves in operation of pre-schools including, but not limited to, developing and running educational and enrichment programmes to infant and children.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(i) Business combination (Continued)

Assets acquired and liabilities recognised at the date of acquisition

	Moriah Group HK\$'000	CSE HK\$'000	Ichiban Entities HK\$'000	Global Tots Group HK\$'000	Total HK\$'000
Cash and cash equivalents	–	1,640	–	3,491	5,131
Property, plant and equipment (Note 18(a))	309	1,334	270	1,239	3,152
Right-of-use assets (Note 18(b))	6,090	16,116	2,751	10,967	35,924
Intangible assets (Note 20)	2,097	–	918	17,233	20,248
Trade and other receivables	–	19,882	–	1,219	21,101
Trade and other payables	–	(6,907)	–	(2,824)	(9,731)
Deferred income	–	(14,684)	–	–	(14,684)
Lease liabilities (Note 35(b))	(6,090)	(16,116)	(2,751)	(11,183)	(36,140)
Provisions (Note 32)	(309)	(1,045)	(270)	(760)	(2,384)
Deferred tax liabilities (Note 37)	(359)	–	(157)	(2,930)	(3,446)
	1,738	220	761	16,452	19,171

The trade and other receivables acquired in these transactions with aggregated fair value and gross contractual amounts of HK\$21,101,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected are insignificant.

Goodwill arising on acquisition

	Moriah Group HK\$'000	CSE HK\$'000	Ichiban Entities HK\$'000	Global Tots Group HK\$'000	Total HK\$'000
Consideration	7,531	14,367	3,737	43,693	69,328
Fair value of identifiable net assets/liabilities acquired	(1,738)	(220)	(761)	(16,452)	(19,171)
Goodwill arising on acquisition	5,793	14,147	2,976	27,241	50,157

Goodwill arose in the acquisition as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(i) Business combination (Continued)

Net cash outflow on acquisitions of subsidiaries and businesses

	Moriah Group HK\$'000	CSE HK\$'000	Ichiban Entities HK\$'000	Global Tots Group HK\$'000	Total HK\$'000
Consideration	7,531	14,367	3,737	43,693	69,328
Deposits paid for acquisition	(3,765)	(6,033)	(230)	(2,180)	(12,208)
Consideration payable to the vendor	–	(6,172)	(497)	(18,917)	(25,586)
Cash and cash equivalent acquired	–	(1,640)	–	(3,491)	(5,131)
	3,766	522	3,010	19,105	26,403

Impact of acquisitions on the results of the Group

Included in the loss for the year ended is loss of HK\$11,083,000 attributable to the entities acquired (Moriah Group: profit of HK\$1,890,000; CSE: loss of HK\$19,518,000; Ichiban Entities: profit of HK\$1,126,000; Global Tots Group: profit of HK\$5,419,000). Revenue for the year includes HK\$42,127,000 in respect of the entities acquired (Moriah Group: HK\$8,324,000; CSE: HK\$10,773,000; Ichiban Entities: HK\$4,622,000; Global Tots Group: HK\$18,408,000).

If the above acquisitions had occurred on 1 January 2020, the Group's revenue would have been HK\$167,039,000 and loss for the year would have been HK\$264,002,000 for the year ended 31 December 2020. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

(ii) Assets acquisition

	Notes	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration HK\$'000
SF Kids Global Pte Limited ("SF Kids")	(e)	Education management	27 November 2020	60%	23,015
Well Team	(f)	Jazz and ballet academy	14 May 2020	50%	2,000
Business assets of Mutual Bright	(f)	Jazz and ballet academy	14 May 2020	N/A	4,000
					29,015

- (e) Pursuant to the sale and purchase agreement dated 27 November 2020 entered into by a wholly owned subsidiary of the Company and the holding company of an associate, the Group acquired 60% of equity interest of SF Kids for a total cash consideration of S\$4,000,000 (equivalent to approximately HK\$23,015,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

39. ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES (CONTINUED)

Year ended 31 December 2020 (Continued)

(ii) Assets acquisition (Continued)

- (f) On 17 April 2020, SDM Management Limited, Mutual Bright, a joint venture, Mr. Hung (a shareholder of Mutual Bright), SDM Academie Limited and the Company entered into a sale and purchase agreement under which, among other things: (i) SDM Management Limited shall dispose of its 50% equity interest in Mutual Bright to Mr. Hung for consideration of HK\$1.00; (ii) SDM Academie Limited shall acquire the dancing assets of Mutual Bright for HK\$4,000,000 as the second consideration; and (iii) SDM Management Limited shall acquire additional 50% equity interest in Well Team, joint venture, for HK\$2,000,000 as the third consideration. The aggregation of the Second Consideration and the Third Consideration of HK\$6,000,000 have been settled and discharged by the Company's allotment and issuance of 4,000,000 consideration shares by the Company under the general mandate granted by the Shareholders on 6 May 2019 at the issue price of HK\$1.50 per consideration share (note 36).

	SF Kids HK\$'000	Well Team and Mutual Bright HK\$'000	Total HK\$'000
Assets and liabilities recognised at the date of acquisition			
Cash and cash equivalents	932	586	1,518
Property, plant and equipment (Note 18(a))	–	348	348
Right-of-use assets (Note 18(b))	–	3,674	3,674
Intangible assets (Note 20)	37,948	10,530	48,478
Trade and other receivables	22	13,795	13,817
Trade and other payables	(544)	(12,029)	(12,573)
Deferred income	–	(5,493)	(5,493)
Lease liabilities (Note 35(b))	–	(3,674)	(3,674)
Deferred tax liabilities (Note 37)	–	(1,737)	(1,737)
Total identifiable net assets acquired	38,358	6,000	44,358
Non-controlling interests	(15,343)	–	(15,343)
Consideration	23,015	6,000	29,015
Net cash inflow on acquisitions of subsidiaries and business assets			
Consideration	23,015	6,000	29,015
Deposits paid for acquisition	(23,015)	–	(23,015)
Shares issued to the vendor	–	(6,000)	(6,000)
Cash and cash equivalents	(932)	(586)	(1,518)
	(932)	(586)	(1,518)

The Group measured the non-controlling interests (40%) in SF Kids at their proportionate share of these subsidiaries' net identifiable assets for the acquisitions during 2020.

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40. PLEDGE OF ASSETS

	2021 HK\$'000	2020 HK\$'000
Time deposits	–	10,703

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

In addition, the entire equity interests in SDM Asia Limited and SAEL held by the Group were pledged as securities under the convertible notes (see Note 33(d)).

41. COMMITMENTS

The Group has commitment to contribute a registered capital of RMB3,000,000 (2020: RMB3,000,000) to Guangzhou Delilong and a subsidiary, 廣州樂動心弦文化發展有限公司 (“廣州樂動心弦”), as at 31 December 2021.

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42. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose net debt is defined as borrowings (which includes borrowings (note 33) and lease liabilities) less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The directors of the Group reviews the capital structure regularly taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through issuance of new shares and the raising of borrowings to maintain sufficient cash for acquisitions and daily operations. As at 31 December 2021, the "total capital", representing the aggregate amount of total capital deficiency, consideration payables (note 31), corporate bonds (note 33(c)) and convertible notes (note 33(d)), of the Group is HK\$81,308,000 (2020: HK\$162,968,000).

The net debt to equity ratio at the reporting date was:

	2021 HK\$'000	2020 HK\$'000
Borrowings		
Current	331,134	93,985
Non-current	–	248,040
Lease liabilities		
Current	64,158	75,897
Non-current	80,087	121,322
Net debt	475,379	539,244
Total capital	63,585	162,968
Net debt to capital ratio	7.48	3.31

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43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

43.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2021 HK\$'000	2020 HK\$'000
Financial assets		
Financial assets at amortised cost		
– lease receivables	–	5,344
– trade and other receivables	57,813	58,349
– loans to joint ventures	757	952
– amount due from related parties	9,901	8,866
– amount due from non-controlling shareholders of subsidiaries	664	2,184
– pledged time deposits	–	10,703
– cash and cash equivalents	29,508	38,458
	98,643	124,856
Financial liabilities		
Financial liabilities at amortised cost		
– trade and other payable	41,258	29,917
– amounts due to related parties	13,722	3,429
– amounts due to non-controlling shareholders of subsidiaries	246	224
– bank and other borrowings	54,749	2,342
– consideration payables	–	25,542
– corporate bonds	–	50,000
– lease liabilities	144,245	197,219
Financial liabilities at FVTPL		
– convertible notes	281,775	289,683
	535,995	598,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise from its overseas sales and purchases, which are primarily denominated in US\$, RMB, S\$ and AU\$. These are not the functional currencies of the group entities to which these transactions relate. The Group also holds investments in debt and equity securities denominated in foreign currencies. Further the Group has borrowings denominated in foreign currencies, primarily US\$.

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

Foreign currency denominated financial assets and liabilities, translated into Hong Kong dollars at the closing rates, are as follows:

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2021			
	US\$ HK\$'000	RMB\$ HK\$'000	S\$ HK\$'000	AU\$ HK\$'000
Bank balances and cash	6	128	19	53
Amounts due from related parties	–	7	–	–
Convertible notes	(281,775)	–	–	–
Net exposure arising from recognised assets and (liabilities)	(281,769)	135	19	53

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2020			
	US\$ HK\$'000	RMB\$ HK\$'000	S\$ HK\$'000	AU\$ HK\$'000
Bank balances and cash	13	385	6,986	40
Amounts due from related parties	–	49	–	–
Convertible notes	(289,683)	–	–	–
Net exposure arising from recognised assets and (liabilities)	(289,670)	434	6,986	40

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.2 Foreign currency risk (Continued)

The Group is mainly exposed to the effects of fluctuation in RMB, S\$ and AU\$.

Management considers the foreign exchange exposure of US\$ against Hong Kong dollars at the end of the reporting period. As the Hong Kong dollars is currently pegged to US\$, no significant fluctuation is anticipated. Accordingly, no sensitivity analysis is prepared.

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against RMB, S\$ and AU\$. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents x management's best assessment of the possible change in foreign exchange rates.

	Sensitivity rate	Decrease in profit or loss HK\$'000	Decrease in equity HK\$'000
2021			
RMB	5%	7	7
S\$	5%	1	1
AU\$	5%	3	3
2020			
RMB	5%	22	22
S\$	5%	349	349
AU\$	5%	2	2

The same % depreciation in the group entities' functional currencies against the respective foreign currencies would have the same magnitude on the Group's loss for the year and equity but of opposite effect.

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nevertheless, the analysis above is considered to be representative of the Group's exposure to foreign currency risk.

43.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from bank and other borrowings. Borrowings bearing variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.

The Group has not used any interest rate swaps to mitigate its exposure associated with interest rate risk. However, the directors of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.3 Interest rate risk (Continued)

For the obligation arising from put options written to non-controlling shareholders of a subsidiary (Note 34), which will be settled by a variable amount subject to a cap, results in a gross financial liabilities. Therefore, the “gross” financial liabilities are deemed borrowings. The Group has not managed the interest rate risk of the deemed borrowings in the same way as the other borrowings.

In the opinion of the directors of the Group, a reasonably possible change in interest rate on bank balances is not expected to have significant impact to the Group in the near future, hence sensitivity analysis is not presented.

The Group manages interest rate risk by monitoring its interest rate profile as set out below. The Group adopts a policy of ensuring that over 50% of its borrowings are on a fixed rate basis, through the contractual terms of the borrowings. The Group is exposed to changes in market interest rates on its bank borrowings, which are at variable rates. Other long term borrowings are at fixed interest rates.

The effective interest rates of the Group’s borrowings at the reporting date were as follows:

	2021		2020	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Variable rate borrowings:				
– Bank borrowings	–	–	2-6	2,342
– Margin loans	–	–	–	–
		–		2,342
Fixed rate borrowings:				
– Corporate bonds	–	–	10	50,000
– Bank and other borrowings	2.75-20.625	54,749	–	–
– Convertible notes	8	281,775	8	289,683
– Lease liabilities	3-5	144,245	3-5	197,219
		480,769		536,902
Total borrowings		480,769		539,244
Fixed rate borrowings as percentage of total borrowings		100.0%		99.6%

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For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.3 Interest rate risk (Continued)

The following table illustrates the sensitivity of the Group's loss after income tax for the year and equity to a possible change in interest rates with effect from the beginning of the year. This sensitivity analysis is provided internally to key management personnel.

	2021		2020	
	Increase/ (Decrease) in loss HK\$'000	Increase/ (Decrease) in equity HK\$'000	Increase/ (Decrease) in loss HK\$'000	Increase/ (Decrease) in equity HK\$'000
Interest rate:				
Increase by 50 basis point	N/A	N/A	12	(12)
Decrease by 50 basis point	N/A	N/A	(12)	12

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rate over the next twelve month period.

The calculations are based on a change in average market interest rates for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant. The sensitivity analysis included in the consolidated financial statements of the year ended 31 December 2021 has been prepared on the same basis.

43.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2021 and 2020 is the carrying amount as disclosed in note 43.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.4 Credit risk (Continued)

Trade receivables

- (i) *Dancing academy business, early childhood education business and provision of photographic services business*

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

The directors of the Company are of the opinion that the credit risks of the receivables from are minimal as there are from creditworthy students and financial institutions with no history of defaults. As such, the Group applies a simplified approach in calculating ECL at an amount equal to lifetime ECL.

- (ii) *Adult education and training business*

Trade receivables from the third parties mainly represent receivables from students. Credit period is granted for tuition fee based on the number of instalments and enrollment period.

The directors of the Company are of the opinion that the credit risks of these receivables is not significant and ECL was measured at an amount equal to lifetime ECL for receivables from students.

- (iii) *Provision of swallowing and speech treatment business*

Trade receivables from the third parties mainly represent receivables from schools. The directors of the Company are of the opinion that the credit risks of these receivables are minimal as there are from creditworthy schools with no history of defaults. The credit risk is insignificant. No impairment is made for these receivables.

On the above basis, the ECL for trade receivables as at 31 December 2021 was determined by applying the ECL rate ranging from 0% to 6.91% (2020: 0% to 6.91%). Accordingly, the loss allowance of HK\$294,000 (2020: HK\$294,000) is provided for trade receivables as at 31 December 2021.

The Group's concentration of credit risk by geographical locations is mainly in Singapore (2020: Singapore), which accounted for 53.8% (2020: 45.4%) of the total trade receivables as at 31 December 2021.

Other receivables

The management would make periodic collective and individual assessment on the recoverability of other receivables based on historical settlement records and past experience and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In these regards, the credit risk of other receivables are considered to be low.

The management is of opinion that there is no significant increase in credit risk on other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 3 and, thus, ECL recognised is based on 12m ECL. The ECL rate applied for other receivables ranging from 0.11% to 6.91% (2020: 0.11% to 6.91%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.4 Credit risk (Continued)

Amounts due from related parties and non-controlling shareholders of subsidiaries

Details of the amounts due from related parties and non-controlling shareholders of subsidiaries are set out in Notes 27 and 28 respectively. At the end of the reporting period, the directors of the Company have assessed the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate and concluded that there has been no significant increase in credit risk since initial recognition of the amounts due from related parties and non-controlling shareholders of subsidiaries. Accordingly, the loss allowance for amounts due from related parties and non-controlling shareholders of subsidiaries is measured at an amount equals to 12m ECL.

The movement in the allowance for impairment in respect of amounts due from related parties and non-controlling shareholders of subsidiaries during the current year was as follows:

	Amounts due from related parties HK\$'000	Amounts due from non-controlling shareholders of subsidiaries HK\$'000
Balance at 1 January 2020	80	215
Net remeasurement of loss allowance	579	(212)
Balance at 31 December 2020 and 1 January 2021	659	3
Net remeasurement of loss allowance	265	–
Balance at 31 December 2021	924	3

Bank balances and pledged time deposits

The Group also has concentration of credit risk on bank balances and pledged time deposits which are deposited with banks with good reputation. The directors of the Company are of the opinion that the credit risks of these receivables are minimal as there are from creditworthy financial institutions with no history of defaults. The credit risk is insignificant. No impairment is made for these balances.

43.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.5 Liquidity risk (Continued)

The Group manages its liquidity needs on a consolidated basis by carefully monitoring scheduled debt servicing payments for long term financial liabilities as well as forecast cash inflows and outflows due in day to day business. Liquidity needs are monitored in various time bands, on a day to day and week to week basis, as well as on the basis of a rolling 30 day projection. Long term liquidity needs for a 180-day and 360-day lookout period are identified monthly. Net cash requirements are compared to available borrowing facilities in order to determine headroom or any shortfalls. This analysis shows if available borrowing facilities are expected to be sufficient over the lookout period.

The Group maintains cash and short-term bank deposits to meet its liquidity requirements for 30-day periods at a minimum. Funding for longer-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell longer-term financial assets.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
2021						
Financial liabilities						
Trade and other payables	41,258	-	-	-	41,258	41,258
Amounts due to related parties and non-controlling shareholders of subsidiaries	13,968	-	-	-	13,968	13,968
Bank and other borrowings (note)	54,749	-	-	-	54,749	54,749
Lease liabilities	69,812	40,282	43,107	8,096	161,297	144,245
Convertible notes	281,775	-	-	-	281,775	281,775
	461,562	40,282	43,107	8,096	553,047	535,995

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For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.5 Liquidity risk (Continued)

	Within 1 year or on demand HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amounts HK\$'000
2020						
Financial liabilities						
Trade and other payables	29,917	-	-	-	29,917	29,917
Amounts due to related parties and non-controlling shareholders of subsidiaries	3,653	-	-	-	3,653	3,653
Bank and other borrowings (note)	2,342	-	-	-	2,342	2,342
Lease liabilities	81,345	51,894	66,790	10,014	210,043	197,219
Corporate bonds	50,000	-	-	-	50,000	50,000
Convertible notes	45,211	-	268,795	-	314,006	289,683
Consideration payables	25,542	-	-	-	25,542	25,542
	238,010	51,894	335,585	10,014	635,503	598,356

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.5 Liquidity risk (Continued)

Note: Bank loans with a repayment on demand clause are included in the "Within 1 year or on demand" time band in the above maturity analysis. As at 31 December 2021, the aggregate undiscounted principal amounts of these bank loans amounted to HK\$15,282,000 (2020: HK\$2,342,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid within seven (2020: one) year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Total carrying amounts HK\$'000
2021	568	2,532	7,680	5,830	16,610	15,282
2020	2,368	–	–	–	2,368	2,342

The Group considers expected cash flows from financial assets in assessing and managing liquidity risk, in particular, its cash resources and other liquid assets that readily generate cash. The Group's existing cash resources and other liquid assets significantly exceed the cash outflow requirements.

43.6 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.6 Fair value measurements of financial instruments (Continued)

The financial assets and liabilities measured at fair value in the consolidated statement of financial position on a recurring basis are grouped into the fair value hierarchy as follows:

	Note	2021			Total HK\$'000
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial liabilities					
Convertible notes	(a)	–	–	281,775	281,775

	Note	2020			Total HK\$'000
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Financial liabilities					
Convertible notes	(a)	–	–	289,683	289,683

There were no transfers between Level 1 and Level 2 during the year ended 31 December 2021 (2020: Nil).

The methods and valuation techniques used for the purpose of measuring fair values categorised in Levels 2 and 3 are unchanged compared to the previous reporting periods and are described below. The Group engages third party qualified valuers to perform the sensitivities as below.

- (a) (i) For the convertible notes issued by SDM Asia Limited

As at 31 December 2021, the fair value of the Singapore Convertible Note was measured with reference to the enterprise value of SDM Asia Limited. The significant unobservable inputs used are the discount rate of 15% (2020: 14%) and long-term growth rate of 3% (2020: 3%) adopted in the enterprise valuation.

As at 31 December 2021, it is estimated that with all other variables held constant, an increase or a decrease in long-term growth rate by 0.5%, would have increased or decreased the Group's loss for the year by HK\$1,594,000 (2020:HK\$3,492,000) or HK\$1,729,000 (2020:HK\$3,186,000), respectively.

As at 31 December 2021, it is estimated that with all other variables held constant, an increase or a decrease in discount rate by 1%, would have decreased or increased the Group's loss for the year by HK\$4,383,000 (2020:HK\$8,705,000) or HK\$5,454,000 (2020: HK\$10,449,000), respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (CONTINUED)

43.6 Fair value measurements of financial instruments (Continued)

- (ii) For the convertible notes issued by SAEL

As at 31 December 2021, the fair value of the Australia Convertible Note was measured with reference to the enterprise value of SDM Australia Education Limited. The significant unobservable inputs used are the recovery rate of 37.14% adopted in the enterprise valuation.

As at 31 December 2021, it is estimated that with all other variables held constant, the discount rate multiplied by 95% and 105%, would have increased or decreased the Group's loss for the year by HK\$227,000 or HK\$227,000, respectively.

- (b) The fair value of equity linked notes was determined with reference to expected proceeds be received from disposal of the underlying securities.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	2021 HK\$'000	2020 HK\$'000
As at 1 January	289,683	204,466
Proceeds arising from issue of convertible notes, net of transaction costs	–	39,000
Fair value changes through profit or loss	20,744	47,464
Fair value changes through other comprehensive income	(31,566)	–
Exchange difference	2,914	(1,247)
As at 31 December	281,775	289,683

There have been no transfers into or out of Level 3 during the year ended 31 December 2021 (2020: Nil).

Fair value charges on convertible notes are recognised in profit or loss and as a separate item in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Amounts due to related parties	Amounts due to non-controlling shareholders of subsidiaries	Obligation arising from put options written to non-controlling interest of a subsidiary	Convertible Notes	Corporate bonds	Interest payable	Bank and other borrowings (excluding bank overdrafts)	Advance receipt of proceeds from a new convertible note to be issued	Lease Liabilities	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	1,220	116	9,459	204,466	71,000	3,550	5,454	7,800	152,830	455,895
Acquisitions of subsidiaries and businesses	-	-	-	-	-	-	-	-	23,698	23,698
Net financing cash flows	2,209	106	-	31,009	(21,100)	(6,697)	(2,473)	-	(36,193)	(33,139)
Finance costs	-	-	1,222	-	100	5,243	-	-	5,882	12,447
Change in fair value	-	-	-	47,464	-	-	-	-	-	47,464
Gain on remeasurement	-	-	(10,681)	-	-	-	-	-	-	(10,681)
Increase in lease liabilities arising from entering into new leases and reassessment of lease options during the year	-	-	-	-	-	-	-	-	55,007	55,007
Exchange difference	-	2	-	(1,012)	-	-	-	(44)	4,073	3,019
Transfer of advance receipt of proceeds from the new convertible note	-	-	-	7,756	-	-	-	(7,756)	-	-
Loan offsetting with the investment portfolio	-	-	-	-	-	-	(639)	-	-	(639)
COVID-19 rent concession (Note 8)	-	-	-	-	-	-	-	-	(8,078)	(8,078)
At 31 December 2020 and 1 January 2021	3,429	224	-	289,683	50,000	2,096	2,342	-	197,219	544,993
Net financing cash flows	10,293	-	-	(1,860)	(52,697)	(2,096)	(6,538)	-	(73,721)	(126,619)
Finance costs	-	-	-	2,719	2,697	-	4,196	-	5,381	14,993
Change in fair value through other comprehensive income	-	-	-	(31,566)	-	-	-	-	-	(31,566)
Change in fair value through profit or loss	-	-	-	20,744	-	-	-	-	-	20,744
Increase in lease liabilities arising from entering into new leases and reassessment of lease options during the year	-	-	-	-	-	-	-	-	19,158	19,158
Exchange difference	-	22	-	(973)	-	-	-	-	(2,360)	(3,311)
Proceeds from issue of convertible notes	-	-	-	3,028	-	-	-	-	-	3,028
Proceed from bank and other borrowings	-	-	-	-	-	-	54,749	-	-	54,749
COVID-19 rent concession (Note 8)	-	-	-	-	-	-	-	-	(1,432)	(1,432)
At 31 December 2021	13,722	246	-	281,775	-	-	54,749	-	144,245	494,737

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For the year ended 31 December 2021

45. RELATED PARTY TRANSACTIONS

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties.

	2021 HK\$'000	2020 HK\$'000
Short-term lease income from related companies:		
– Rainbow	2,118	922
– Dunn's Education	1,116	1,188
– Sunshine Chinese Painting	192	213
– HKACD	58	–
	3,484	2,323

The above transactions constitute continuing connected transactions as defined in chapter 20 in accordance with the GEM Listing Rules. However, these transactions are exempt from the disclosure requirements as they are below the de minimis threshold.

	2021 HK\$'000	2020 HK\$'000
Service fee income received/receivable from related companies:		
– Rainbow	–	72
– HKACD	–	360
– TIM EDPlatform	–	600
	–	1,032

As at 31 December 2021, bank borrowings of HK\$15,282,000 were guaranteed by Mr. Chiu Ka Lok. Mr. Chiu Ka Lok did not charge the Group for the guarantee provided.

As at 31 December 2020, bank borrowings of HK\$95,000 were guaranteed by Dr. Chun Chun and pledged by a property owned by Dr. Chun Chun. Dr. Chun Chun did not charge the Group for the guarantee provided and pledge of her property. In addition, the repayment of Group's corporate bonds were guaranteed by Wealthy Together.

Other than the transactions disclosed above, no other transaction, arrangement or contract of significance to which the Company was a party and in which a director of the Company or a connected entity of the director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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For the year ended 31 December 2021

45. RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel remuneration

Key management of the Group are members of the board of directors, as well as members of the “management board” of the parent company. Key management personnel remuneration includes the following expenses:

	2021 HK\$'000	2020 HK\$'000
Short-term benefits	6,627	5,406
Post employment benefits	338	248
Share-based payments	2,462	749
	9,427	6,403

46. INTERESTS IN SUBSIDIARIES

Particulars of the principal subsidiaries of the Group as at 31 December 2021 and 2020 are as follows:

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of ownership interest held by the Company	Principal activities
Ability Education	Australia	Australia	Limited liability company	AUS\$1,115,000	Nil (2020: 100%)	Provision of educational services
Between Two Trees Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Holding licenses of a pre-school in Singapore
CSE	Australia	Australia	Limited liability company	AUS\$10	Nil (2020: 75%)	Provision of educational services
ECLC (Note b)	Hong Kong	Hong Kong	Limited liability company	HK\$21,290,000	90.90% (2020: 28.54%)	Provision of educational services
Global Win	BVI	Hong Kong	Limited liability company	US\$100	100%# (2020: 100%#)	Investment holding
Global Tots @ Braddell Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$60,000	100% (2020: 100%)	Operation of a pre-school in Singapore

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of ownership interest held by the Company	Principal activities
Global Tots @ Eastgate Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: nil)	Operation of a pre-school in Singapore
Global Tots @ Mountbatten Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$90,000	100% (2020: 100%)	Operation of a pre-school in Singapore
Global Tots @ Sembawang Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$90,000	100% (2020: 100%)	Operation of a pre-school in Singapore
Global Tots Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$1,200,000	100% (2020: 100%)	Operation of a pre-school in Singapore
Hong Kong Speech	Hong Kong	Hong Kong	Limited liability company	HK\$1,001,600	100% (2020: 100%)	Provision of Swallowing and speech treatments
Prism (Note b)	Hong Kong	Hong Kong	Limited liability company	HK\$15,018,500	40% (2020: 40%)	Provision of educational services
SDM Chatsworth International Nursery Limited ("SDM Chatsworth")	Hong Kong	Hong Kong	Limited liability company	HK\$125	80% (2020: 80%)	Investment holding
SDM Academie Limited	Hong Kong	Hong Kong	Limited liability company	HK\$10,000	100% (2020: 100%)	Jazz and ballet academy
SAEL	BVI	Hong Kong	Limited liability company	US\$100	100%# (2020: 100%#)	Investment holding
SDM Jazz & Ballet Academie Co. Limited	Hong Kong	Hong Kong	Limited liability company	HK\$100	100% (2020: 100%)	Provision of management services to group entities and joint ventures
Stage Production	Hong Kong	Hong Kong	Limited liability company	HK\$100	100% (2020: 100%)	Provision of photographic services
SDM Asia Limited	BVI	Singapore	Limited liability company	US\$100	100%# (2020: 100%#)	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of ownership interest held by the Company	Principal activities
SDM Childcare Centre (Jurong East) Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
Between Two Trees (Clarke Quay) Pte. Ltd. (formerly known as SDM Childcare Centre (Clarke Quay) Pte. Ltd.)	Singapore	Singapore	Limited liability company	S\$500,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM Childcare Centre Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$189,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM Childcare Centre (Bartley) Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM International Pre-school Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM-Moriah Preschool (Flora Vista) Pte. Ltd. (formerly known as SDM Childcare Centre (Flora Vista) Pte. Ltd.)	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM-Moriah Preschool (Greenwich) Pte. Ltd. (formerly known as SDM Childcare Centre (Greenwich) Pte. Ltd.)	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SDM-Ichiban Preschool Pte. Ltd. (formerly known as SDM Childcare Pte. Ltd.)	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
SF Kids	Singapore	Singapore	Limited liability company	S\$1,000	100% (2020: 100%)	Education management

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of company	Place of incorporation/ establishment	Place of business	Type of legal entity	Particulars of issued and paid up capital/ registered capital	Percentages of ownership interest held by the Company	Principal activities
Tinkerland	Singapore	Singapore	Limited liability company	S\$100,000	100% (2020: 100%)	Operation of a pre-school in Singapore
The Lighthouse Keepers Pte. Ltd.	Singapore	Singapore	Limited liability company	S\$500,000	100% (2020: 100%)	Operation of a pre-school in Singapore
Tinytots Sports Pte. Ltd. ("Tinytots Sports")	Singapore	Singapore	Limited liability company	S\$50,000	60% (2020: 60%)	Provision of enrichment courses
廣州樂動心弦 (Note a)	Guangzhou	Guangzhou	Limited liability company	RMB3,000,000	100% (2020: 100%)	Jazz and ballet academy

Issued capital held directly by the Company.

Notes:

- (a) 廣州樂動心弦 is a wholly foreign owned subsidiary in the PRC. In addition, no registered capital was paid as of 31 December 2020. In accordance with the memorandum and articles of association of 廣州樂動心弦, the shareholder of 廣州樂動心弦 is required to pay the registered capital up to RMB3,000,000 before 14 September 2035.
- (b) SDM Chatsworth held 60% voting power by virtue of the agreement with other investor and can exercise control over Prism accordingly. Prism held 3.93% (2020: 71%) voting power of ECLC, as at 31 December 2021, SDM Art Limited held 90.9% equity interest of ECLC.
- (c) Despite the Group indirectly holds 50% of the effective equity interest of Dr. Code, the Group considers to exercise control over Dr. Code as the Group has ability to direct the relevant activities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Except for Prism which incurred obligation arising from put options written to non-controlling shareholders of a subsidiary and convertible notes issued by SDM Asia Limited and SAEL, none of the subsidiaries had issued any debt securities at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

The Group includes two (2020: three) subsidiaries with material non-controlling interests (“**NCI**”), the details and the summarised financial information, before intragroup eliminations, are as follows:

	SF Kids		Prism	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Proportion of ownership interests and voting rights held by the NCI	40%	40%	60%	60%
Current assets	2,571	6,595	4,460	3,925
Non-current assets	37,933	38,539	4,500	4,500
Current liabilities	(1,941)	(1,296)	(21,018)	(18,831)
Non-current liabilities	–	–	(306)	(306)
Net assets/(liabilities)	38,563	43,838	(12,364)	(10,712)
Carrying amount of NCI	15,425	17,535	(7,418)	(6,562)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

	For the year ended 31 December 2021 HK\$'000	For the period from 1 December 2020 to 31 December 2020 HK\$'000	For the year ended 31 December 2021 HK\$'000	For the year ended 31 December 2020 HK\$'000
Revenue	4,344	114	–	243
Total expenses	(5,734)	(1,135)	(1,798)	(2,802)
Profit/(loss) for the period/year	1,390	4,679	(1,652)	8,490
Other comprehensive income for the period/year	103	801	–	–
Profit/(loss) and total comprehensive income/ (loss) for the period/year	1,493	5,480	(1,652)	8,490
Profit/(loss) attribute to NCI	556	1,872	(991)	5,094
Total comprehensive income/ (loss) attributable to NCI	597	2,192	(991)	5,094
Dividend paid to NCI	(693)	–	–	–
Net cash flows generated from/ (used in) operating activities	2,331	(488)	(534)	(777)
Net cash flows generated from/ (used in) investing activities	–	–	516	(1,299)
Net cash flows (used in)/generated from financing activities	(1,733)	–	–	111
Net increase/(decrease) in cash and cash equivalents	598	(488)	(18)	(1,965)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. INTERESTS IN SUBSIDIARIES (CONTINUED)

Changes in ownership interest in subsidiaries

During the year ended 31 December 2021, the Group has the following changes in ownership interest in subsidiaries:

On 30 November 2021, ECLC issued 280,000,000 shares and allotted to SDM Art Limited to repay a loan from Prism in the principal amount of HK\$2,000,000, therefore, the equity interest held by SDM Art Limited has been increased to 90.90%. The non-cash transaction was regarded as an equity transaction and the carrying amount of the Group's additional interest in ECLC of approximately HK\$11,589,000 was debited to equity as other reserve during the year ended 31 December 2021.

During the year ended 31 December 2020, the Group has the following changes in ownership interest in subsidiaries:

On 23 June 2020, Prism, the subsidiary of the Group, entered to a loan agreement to grant a loan in the principal amount of HK\$1,500,000 to ECLC with a maturity of four months. According to the agreements, the shareholders act as guarantors whom were jointly liable to repay the loan with interest. In the case, the guarantors fail to make the repayment, ECLC is required to issue 8,004,000 shares and allot to Prism. As at 31 December 2020, 8,004,000 shares are issued and allotted to Prism and therefore, the equity interest held by Prism has been increased to 71.36%. The transaction was considered as a deemed acquisition by the Group of its partial interest in ECLC and was regarded as an equity transaction and the carrying amount of the Group's additional interest in ECLC of approximately HK\$3,092,000 was debited to equity as other reserve during the year ended 31 December 2020.

47. CONTINGENT ASSETS

During the year ended 31 December 2017, a subsidiary of the Group was sued for failure to deliver vacant possession of a premise, where the Company used to lease it for its dance centre, to the landlord which claimed against the Company for damages. During the current year, the landlord and the Group agreed to reduce the final settlement from HK\$400,000 to HK\$291,000 and deposit paid of HK\$109,000 was refunded. The deposit paid are impaired in 2018, therefore the refund is recognised as other income for the year ended 31 December 2020. There were no contingent assets as at 31 December 2021 and 2020.

48. EVENTS AFTER THE REPORTING PERIOD

On 14 April 2022, the Company issued an announcement about a preliminary understanding of the settlement of Convertible Note of HK\$264,838,000 by ways of a disposal of certain subsidiary of the Group, transfer of assets or in cash, or a combination of the above, as consideration for the settlement of the Convertible Note to the Noteholder has been came between the Company and Noteholder.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investments in subsidiaries		32,002	32,002
Amounts due from subsidiaries		50,780	50,780
Other receivables		402	402
		83,184	83,184
Current assets			
Other receivables, deposits and prepayments		364	910
Amounts due from related parties		7,655	92
Cash and cash equivalents		2,090	7,665
		10,109	8,667
Current liabilities			
Other payables and accrued charges		6,510	6,890
Amounts due to related parties		7,076	370
Amounts due to subsidiaries		148,303	167,911
Consideration payables		–	128,400
Bank and other borrowings		31,000	–
Corporate bonds		–	50,000
		192,889	353,571
Net current liabilities		(182,780)	(344,904)
Total assets less current liabilities		(99,596)	(261,720)
Net liabilities		(99,596)	(261,720)
Capital and reserves			
Share capital	36	45,760	38,460
Reserves (Note)		(145,356)	(300,180)
Total equity		(99,596)	(261,720)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note: The movement of the Company's reserves are as follows:

	Share premium HK\$'000	Other reserve HK\$'000	Share options reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
As at 1 January 2020	66,892	(1,685)	8,647	(190,861)	(117,007)
Grant of share options	–	–	2,209	–	2,209
Lapse of share options	–	–	(1,066)	1,066	–
Issue of consideration shares	66,815	–	–	–	66,815
Loss and total comprehensive loss for the year	–	–	–	(252,197)	(252,197)
As at 31 December 2020 and 1 January 2021	133,707	(1,685)	9,790	(441,992)	(300,180)
Grant of share options	–	–	5,301	–	5,301
Lapse of share options	–	–	(249)	249	–
Issue of consideration shares	24,815	–	–	–	24,815
Gain and total comprehensive income for the year	–	–	–	124,708	124,708
As at 31 December 2021	158,522	(1,685)	14,842	(317,035)	(145,356)

50. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain items to provide a more appropriate presentation of the Group in which the management has ceased its operations in Australia and has been presented as a discontinued operation in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021. The consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 have been re-presented to show the discontinued operation separately from the continuing operations. Further details are set out in Note 11.

FINANCIAL SUMMARY

For the five years ended 31 December 2017, 2018, 2019, 2020 and 2021

RESULTS

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	184,800	156,294	128,724	76,492	64,326
Profit/(loss) before taxation	40,112	(320,488)	(105,884)	(59,554)	(26,983)
Income tax (expense)/credit	(1,295)	(845)	(427)	(170)	42
Profit/(loss) for the year	38,817	(321,333)	(106,311)	(59,724)	(26,941)
Profit/(loss) for the year attributable to:					
Equity shareholders of the Company	38,252	(311,798)	(98,807)	(53,505)	(25,702)
Non-controlling interests	565	(9,535)	(7,504)	(6,219)	(1,239)
	38,817	(321,333)	(106,311)	(59,724)	(26,941)

ASSETS AND LIABILITIES

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Total assets	386,443	465,452	537,582	191,236	186,778
Total liabilities	(604,633)	(796,109)	(628,891)	(183,864)	(124,948)
Net (liabilities)/assets	(218,190)	(330,657)	(91,309)	7,372	61,830
Equity attributable to equity shareholders of the Company	(226,814)	(328,123)	(79,280)	13,863	63,415
Non-controlling interests	8,624	(2,534)	(12,029)	(6,491)	(1,585)
(Capital deficiency)/total equity	(218,190)	(330,657)	(91,309)	7,372	61,830



SDM Education Group Holdings Limited
SDM 教育集團控股有限公司
