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SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8363)

**ANNOUNCEMENT OF AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND
RESUMPTION OF TRADING**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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

FINANCIAL HIGHLIGHTS

- Total revenue for 2020 was HK\$156.3 million, representing an increase of 21.4% over 2019;
- Revenue from early childhood education business in Singapore increased to HK\$55.4 million for 2020 from HK\$26.6 million for 2019;
- Revenue from adult education and training business in Australia increased to HK\$42.1 million for 2020 from HK\$15.2 million for 2019;
- Significant amount of non-cash expenses/losses was recorded in 2020 mainly arising from changes in fair value of consideration payable and convertible notes, impairment loss on goodwill, property, plant and equipment and right-of-use assets and grant of share options, amounting to HK\$271.5 million in total (2019: HK\$57.4 million);
- Loss attributable to equity shareholders of the Company for 2020 increased to HK\$311.8 million from HK\$98.8 million in 2019; and
- Basic loss per share for 2020 was approximately HK\$0.8723 (2019: HK\$0.2790).

ANNUAL RESULTS

Reference is made to the announcement dated 31 March 2021 of SDM Group Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) in respect of the announcement of unaudited annual results for the year ended 31 December 2020 (the “**Unaudited Annual Results Announcement**”). Unless otherwise stated, the terms used in this announcement shall have the same meaning as adopted in the Unaudited Annual Results Announcement. The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that the external auditors of the Company have audited the consolidated financial statements of the Group for the year ended 31 December 2020. The audited consolidated annual results of the Group for the year ended 31 December 2020 together with the audited comparative figures for the year ended 31 December 2019 are as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

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

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Other comprehensive income for the year <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain/(loss) on translation of financial statements of foreign operations		<u>(6,089)</u>	<u>(60)</u>
Change in fair value on financial investments at fair value through other comprehensive income		<u>(119)</u>	<u>119</u>
Other comprehensive income for the year		<u>(6,208)</u>	<u>59</u>
Total comprehensive loss for the year		<u>(327,541)</u>	<u>(106,252)</u>
Loss for the year attributable to:			
Owners of the Company		<u>(311,798)</u>	<u>(98,807)</u>
Non-controlling interests		<u>(9,535)</u>	<u>(7,504)</u>
		<u>(321,333)</u>	<u>(106,311)</u>
Total comprehensive loss attributable to:			
Owners of the Company		<u>(318,329)</u>	<u>(98,752)</u>
Non-controlling interests		<u>(9,212)</u>	<u>(7,500)</u>
		<u>(327,541)</u>	<u>(106,252)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>10</i>		
Basic and diluted		<u>(87.23)</u>	<u>(27.90)</u>

Consolidated Statement of Financial Position

As at 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		20,878	30,700
Right-of-use assets		96,567	129,682
Goodwill		99,062	83,577
Intangible assets		78,542	13,271
Interests in joint ventures		156	156
Loans to joint ventures		952	2,307
Interest in an associate		1,438	1,252
Deposits for acquisitions of subsidiaries/businesses	<i>11</i>	33,770	68,037
Lease receivables		3,083	17,500
Other receivables, deposits and prepayments	<i>12</i>	27,611	17,959
Deferred tax assets		43	357
		<u>362,102</u>	<u>364,798</u>
Current assets			
Inventories		2,204	2,134
Trade and other receivables, deposits and prepayments	<i>12</i>	38,484	28,629
Lease receivables		2,261	3,941
Amounts due from related parties		8,866	7,705
Amounts due from non-controlling shareholders of subsidiaries		2,184	4,528
Financial investments		–	49,624
Pledged time deposits		10,703	9,835
Cash and cash equivalents		38,458	66,388
Tax recoverable		190	–
		<u>103,350</u>	<u>172,784</u>
Current liabilities			
Trade and other payables	<i>13</i>	40,056	34,562
Deferred income	<i>14</i>	39,047	51,939
Amounts due to related parties		3,429	1,220
Amounts due to non-controlling shareholders of subsidiaries		224	116
Corporate bonds	<i>15</i>	50,000	71,000
Convertible notes	<i>16</i>	41,643	–
Consideration payables		153,942	56,710
Bank and other borrowings		2,342	5,454
Lease liabilities		75,897	44,585
Tax payable		1,170	801
Provisions		2,396	1,960
		<u>410,146</u>	<u>268,347</u>
Net current liabilities		<u>(306,796)</u>	<u>(95,563)</u>
Total assets less current liabilities		<u><u>55,306</u></u>	<u><u>269,235</u></u>

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Non-current liabilities			
Provisions		9,894	7,283
Obligation arising from put options written to non-controlling shareholders of a subsidiary		–	9,459
Deferred tax liabilities		6,707	2,201
Consideration payable		–	28,890
Convertible notes	<i>16</i>	248,040	204,466
Lease liabilities		121,322	108,245
		<u>385,963</u>	<u>360,544</u>
Net liabilities		<u>(330,657)</u>	<u>(91,309)</u>
Equity			
Share capital		38,460	35,410
Reserves		(366,583)	(114,690)
		<u>(328,123)</u>	<u>(79,280)</u>
Equity attributable to owners of the Company		(328,123)	(79,280)
Non-controlling interests		(2,534)	(12,029)
		<u>(330,657)</u>	<u>(91,309)</u>
Capital deficiency		<u>(330,657)</u>	<u>(91,309)</u>

NOTES TO THE FINANCIAL INFORMATION

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 12 February 2014 and its shares have been listed on the GEM of The Stock Exchange of Hong Kong Limited since 14 October 2014. Its parent is Wealthy Together Limited (“**Wealthy Together**”) (incorporated in the British Virgin Islands (“**BVI**”). Its ultimate controlling party is Mr. Chiu Ka Lok, the controlling shareholder, (the “**Controlling Shareholder**”), who is also the Chairman and Executive Director of the Company. The addresses of the Company’s registered office and the principal place of business are Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Room 202B, 2/F, Liven House, 61–63 King Yip Street, Kwun Tong, Hong Kong, respectively.

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

The functional currency of the Company is Hong Kong dollar (“**HK\$**”), which is the same as the presentation currency of the consolidated financial statements.

2. ADOPTION OF NEW AND AMENDED HKFRSs

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020

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

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

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

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020 (Continued)

Amendments to HKFRS 3 “Definition of a Business”

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

The amendments:

- clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

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

Amendments to HKAS 1 and HKAS 8 “Definition of Material”

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020 (Continued)

Amendments to HKAS 1 and HKAS 8 “Definition of Material” (Continued)

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold “could influence” with “could reasonably be expected to influence” in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

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

Amendments to HKFRS 16 “Covid-19-Related Rent Concessions”

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

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

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020 (Continued)

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

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

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

Issued but not yet effective HKFRSs

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

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

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

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

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

⁴ Effective date not yet determined

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

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

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020 (Continued)

Amendments to HKFRS 3 “Reference to the Conceptual Framework”

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

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

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

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

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

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

- It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from the end of the reporting period. This right has to be existed at the end of the reporting period, regardless of whether the lender tests for compliance at that date or at a later date;
- Any expectations about events after the reporting period do not impact the assessment made at the end of the reporting period as to the classification of the liability; and

2. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2020 (Continued)

Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current” (Continued)

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

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

Amendments to HKAS 16 “Property, Plant and Equipment – Proceeds before Intended Use”

The amendments prohibit an entity from deducting from the cost of property, plant and equipment any proceeds received from selling items produced before that asset is available for use (i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management). Instead, an entity should recognise such sales proceeds and related costs in profit or loss. The entity should measure the cost of those items in accordance with HKAS 2 “Inventories”.

Besides, the amendments also clarify the meaning of “testing whether an asset is functioning properly” and require additional disclosures for the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities.

Amendments to HKAS 16 are effective for annual period beginning on or after 1 January 2022 and apply retrospectively, but only to items of property, plant and equipment that are available for intended use by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies to the amendments. The directors of the Group expect that the amendments have no material impact on the consolidated financial statements.

3. SEGMENT INFORMATION

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

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

2020	Dance academy business <i>HK\$'000</i>	Early childhood education business <i>HK\$'000</i>	Adult education and training business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>45,428</u>	<u>58,144</u>	<u>42,092</u>	<u>10,630</u>	<u>156,294</u>
Segment results	<u>(5,719)</u>	<u>(13,913)</u>	<u>(125,089)</u>	<u>4,045</u>	<u>(140,676)</u>
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 payable					(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					<u>(1,292)</u>
Loss before taxation					<u>(320,488)</u>

3. SEGMENT INFORMATION (Continued)

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

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

Segment profit/(loss) represents the profit earned/(losses incurred) by each segment without allocation of certain other gains and losses and other income, central corporate expenses, share options expenses, loss on change in fair value of convertible notes and consideration payables, impairment loss recognised on financial assets and prepayments and share of results of joint ventures and an associate.

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

3. SEGMENT INFORMATION (Continued)

For the year ended 31 December 2020

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

For the year ended 31 December 2019

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

3. SEGMENT INFORMATION (Continued)

Geographical information

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

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

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 intangibles assets and goodwill.

Information about major customers

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

4. REVENUE

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

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

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

4. 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 services and geographical market:

Segments	For the year ended 31 December 2020				
	Dance academy business <i>HK\$'000</i>	Early childhood education business <i>HK\$'000</i>	Adult education and training business <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
	<u>45,428</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>45,428</u>
Early childhood education business					
– Elementary and enrichment courses	–	58,009	–	–	58,009
– Sale of uniforms and accessories	–	135	–	–	135
	<u>–</u>	<u>58,144</u>	<u>–</u>	<u>–</u>	<u>58,144</u>
Adult education and training business					
– Adult language courses	–	–	31,320	–	31,320
– Training courses	–	–	10,772	–	10,772
	<u>–</u>	<u>–</u>	<u>42,092</u>	<u>–</u>	<u>42,092</u>
Others					
– Provision of swallowing and speech treatments	–	–	–	5,781	5,781
– Provision of photographic services for children	–	–	–	4,803	4,803
– Others	–	–	–	46	46
	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,630</u>	<u>10,630</u>
Total	<u><u>45,428</u></u>	<u><u>58,144</u></u>	<u><u>42,092</u></u>	<u><u>10,630</u></u>	<u><u>156,294</u></u>

4. REVENUE (Continued)

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15 (Continued)

Segments	For the year ended 31 December 2020				Total <i>HK\$'000</i>
	Dance academy business <i>HK\$'000</i>	Early childhood education business <i>HK\$'000</i>	Adult education and training business <i>HK\$'000</i>	Others <i>HK\$'000</i>	
Geographical markets					
– Australia	–	–	42,092	–	42,092
– Hong Kong	45,428	2,699	–	10,630	58,757
– Singapore	–	55,445	–	–	55,445
Total	45,428	58,144	42,092	10,630	156,294
Timing of revenue recognition					
– At point in time	891	135	–	4,803	5,829
– Over time	44,537	58,009	42,092	5,827	150,465
Total	45,428	58,144	42,092	10,630	156,294

4. REVENUE (Continued)

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15 (Continued)

Segments	For the year ended 31 December 2019					Total HK\$'000
	Dance academy business HK\$'000	Early childhood education business HK\$'000	Adult education business HK\$'000	Others HK\$'000		
Types of goods or service						
Dance academy business						
– Elementary courses	27,722	–	–	–		27,722
– CSTD jazz courses	24,281	–	–	–		24,281
– RAD ballet courses	2,966	–	–	–		2,966
– Other courses	8,622	–	–	–		8,622
– Sale of dance uniforms, shoes and accessories	3,270	–	–	–		3,270
	<u>66,861</u>	<u>–</u>	<u>–</u>	<u>–</u>		<u>66,861</u>
Early childhood education business						
– Elementary and enrichment courses	–	30,759	–	–		30,759
– Sale of uniforms and accessories	–	141	–	–		141
	<u>–</u>	<u>30,900</u>	<u>–</u>	<u>–</u>		<u>30,900</u>
Adult education business						
– Adult language courses	–	–	15,186	–		15,186
	<u>–</u>	<u>–</u>	<u>15,186</u>	<u>–</u>		<u>15,186</u>
Others						
– Provision of swallowing and speech treatments	–	–	–	7,244		7,244
– Provision of photographic services	–	–	–	8,509		8,509
– Others	–	–	–	24		24
	<u>–</u>	<u>–</u>	<u>–</u>	<u>15,777</u>		<u>15,777</u>
Total	<u>66,861</u>	<u>30,900</u>	<u>15,186</u>	<u>15,777</u>		<u>128,724</u>

4. REVENUE (Continued)

Disaggregation of revenue from contracts with customers with the scope of HKFRS 15 (Continued)

Segments	For the year ended 31 December 2019				Total HK\$'000
	Dance academy business HK\$'000	Early childhood education business HK\$'000	Adult education and training business HK\$'000	Others HK\$'000	
Geographical markets					
– Australia	–	–	15,186	–	15,186
– Hong Kong	66,861	4,326	–	15,777	86,964
– Singapore	–	26,574	–	–	26,574
Total	66,861	30,900	15,186	15,777	128,724
Timing of revenue recognition					
– At point in time	3,270	141	–	8,509	11,920
– Over time	63,591	30,759	15,186	7,268	116,804
Total	66,861	30,900	15,186	15,777	128,724

5. OTHER INCOME AND OTHER GAINS/(LOSSES), NET

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

Notes:

- (a) As disclosed in note 2, the Group has early adopted Amendments to HKFRS 16 “Covid-19 - Related Rent Concessions” and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2020, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.

5. OTHER INCOME AND OTHER GAINS/(LOSSES), NET (Continued)

Notes:

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

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

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

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

	Year ended 31 December 2020 <i>HK\$'000</i>	Year ended 31 December 2019 <i>HK\$'000</i>
Hong Kong Profits Tax		
– Current year	437	421
– Over provision in prior years	–	(32)
	<u>437</u>	<u>389</u>
Singapore corporate income tax (“CIT”)		
– Current year	1,535	302
– Over provision in prior years	(532)	–
	<u>1,003</u>	<u>302</u>
	1,440	691
Deferred tax	<u>(595)</u>	<u>(264)</u>
	<u><u>845</u></u>	<u><u>427</u></u>

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

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

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

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

8. LOSS FOR THE YEAR

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

* Included in “other expenses”

Included in “advertising and promotion expenses”

8. LOSS FOR THE YEAR (Continued)

- Notes:*
- (a) As disclosed in note 2, the Group has early adopted Amendments to HKFRS 16 “Covid-19-Related Rent Concessions” and applies the practical expedients introduced by the amendments to all eligible rent concessions received by the Group during the year. During the year ended 31 December 2020, the rent concessions received by the Group are in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to prevent the spread of COVID-19.
 - (b) On 11 April 2018, the Group disposed of 100% of the entity interest in Metro Noble Limited for a cash consideration of HK\$7,200,000 to a company controlled by a senior management of the Group.

The completion of the disposal of the wholly owned subsidiary, Metro Noble Limited, took place on 11 April 2018.

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

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

9. DIVIDEND

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

10. LOSS PER SHARE

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

	Year ended 31 December 2020 HK\$'000	Year ended 31 December 2019 HK\$'000
Loss		
Loss for the purpose of calculating basic loss per share (loss for the year attributable to owners of the Company)	<u>(311,798)</u>	<u>(98,807)</u>
	Year ended 31 December 2020	Year ended 31 December 2019
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>357,425</u>	<u>354,100</u>

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

11. DEPOSITS FOR ACQUISITIONS OF SUBSIDIARIES AND BUSINESSES

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

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

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

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

Notes:

- (a) In 2015, staff loans with an aggregate principal amount of HK\$2,600,000 were granted to two key management and are required to be repaid during the years 2016 to 2020. The amount is unsecured and interest bearing at 4.65% per annum. In accordance with the repayment schedules, staff loans amounted to HK\$368,000 are required to be repaid within one year. Accordingly, staff loans of HK\$368,000 are classified as current assets as at 31 December 2019. The loan was settled during the year ended 31 December 2020.
- (b) The loan to holding company of an associate represented advances of S\$2,695,000 (equivalent to approximately HK\$15,803,000) (2019: S\$1,701,000 (equivalent to approximately HK\$9,886,000)) to the shareholders of an associate, which are unsecured, interest bearing at 4.12% to 4.19% and repayable in June to October 2022. For the advance of S\$926,000 (equivalent to approximately HK\$5,436,000) (2019: HK\$nil), the borrower has option to transfer 80% of its ownership interest in its investee to the Group in lieu and in full discharge of the repayment obligation at maturity date.
- (c) The loan to third party represented advance of S\$128,000 (equivalent to approximately HK\$751,000) (2019: HK\$nil) to a third party, which are unsecured, interest bearing at Singapore Interbank Offered Rate+2% and repayable in December 2022. Pursuant to the loan agreements the third party has the option to transfer 80% of its ownership interest in the business to the Group in lieu and in full discharge of the repayment obligation at maturity date.

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

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

	As at 31 December 2020 <i>HK\$000</i>	As at 31 December 2019 <i>HK\$000</i>
0 – 30 days	816	2,914
31 – 60 days	677	1,018
61 – 90 days	359	–
91 – 180 days	194	399
Over 180 days	1,206	151
	<u>3,252</u>	<u>4,482</u>

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

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

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

13. TRADE AND OTHER PAYABLES

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

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

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

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

14. DEFERRED INCOME

Deferred income

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

Deferred income are 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.

15. CORPORATE BONDS

On 11 December 2017, the Company as the issuer entered into the Placing Agreement with Pacific Foundation Securities Limited, the Placing Agent, which is an independent third party, pursuant to which the Placing Agent agreed to act as a placing agent, for the purpose of procuring, on the best effort basis, of not less than six independent places for the subscription of the Company's bonds with an aggregate principal amount of up to HK\$80,000,000. The bonds (with face value of HK\$1,000,000 for each of the bonds) carry interest at 5% per annum and will mature on the day falling on the second anniversary of the date of issue. The Company may redeem any bonds and cancel any or all outstanding bonds at any time by giving a 15 business days prior notice to the holders of the bonds at face value of the bonds together with any accrued interest up to the redemption date. The repayment of the bonds is guaranteed by Wealthy Together, a company which is wholly and beneficially owned by the Controlling Shareholder.

As at 31 December 2019, the corporate bonds measured at amortised cost totalling HK\$71,000,000 were recorded as current liabilities. As at 6 January 2020, the corporate bonds were matured and fully repaid by the Group.

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 (31 December 2019: HK\$Nil).

16. CONVERTIBLE NOTES

Singapore Convertible Note

Movements of Singapore Convertible Note as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
As at 1 January	204,466	–
Issuance	–	195,400
Fair value loss	44,581	9,636
Exchange realignment	(1,007)	(570)
As at 31 December	248,040	204,466

On 24 December 2018 and 12 February 2019, the Company, SDM Asia Limited (the “**Issuer**”), a wholly-owned subsidiary of the Company, and an independent investor (the “**Investor**”) entered into a subscription agreement (the “**Singapore CN Subscription Agreement**”) and an amendment deed to the 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 convertible note (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.

16. CONVERTIBLE NOTES (Continued)

Singapore Convertible Note (Continued)

As at 31 December 2020, the Singapore Convertible Note measured at fair value through profit or loss amounted to HK\$248,040,000 (31 December 2019: HK\$204,466,000) were recorded as non-current liabilities.

Australia Convertible Note

Movements of Australia Convertible Note as follows:

	2020 HK\$'000
As at 1 January	–
Issuance	39,000
Fair value loss	2,883
Exchange realignment	(240)
	<hr/>
As at 31 December	41,643
	<hr/> <hr/>

On 17 January 2020, the Company and SDM Australian Education Limited (“**SDM Australian**”), 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, SDM Australian conditionally agreed to issue and Golden Pursue Limited has conditionally agreed to subscribe for a convertible note in the principal amount of US\$5,000,000 (equivalent to approximately HK\$39,000,000) (the “**Australia Convertible Note**”). The Australia Convertible Note will bear coupon interest at the rate of 8% per annum. Unless previously redeemed, converted or repaid and cancelled in accordance with the terms and conditions of Australia CN Subscription Agreement, the Australia Convertible Note have a term of 48 months.

16. CONVERTIBLE NOTES (Continued)

Australia Convertible Note (Continued)

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

The Australia Convertible Note has been fully and completely redeemed in January 2021.

Deposit of US\$1,000,000 (equivalent to approximately HK\$7,790,000) were received by the Company during the year ended 31 December 2019 and was included in other payables as at 31 December 2019. The remaining balance of US\$4,000,000 (equivalent to approximately HK\$31,004,000) were received by the Company during the year ended 31 December 2020.

According to Australia on Subscription Agreement, when the Earnings before Interest, Taxes, Depreciation and Amortisation of SDM Australian are lower than US\$1,250,000 for the year ended 31 December 2020 and any financial year prior to the maturity date, the investor shall have absolute right to demand for full redemption. The Group are unable to meet this target for the year ended 31 December 2020 and therefore the Australia Convertible Note were recorded as current liabilities as at 31 December 2020.

The Company designated each of the convertible notes (including the conversion option) as a financial liability at FVTPL which is 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 the both convertible bonds recognised in the consolidated statement of financial position is calculated as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
As at 1 January	204,466	–
Issuance of convertible notes	39,000	195,400
Fair value changes	47,464	9,636
Exchange difference	(1,247)	(570)
As at 31 December	<u>289,683</u>	<u>204,466</u>
Analysed as:		
Non-current	248,040	204,466
Current	41,643	–
	<u>289,683</u>	<u>204,466</u>

17. EVENTS AFTER THE REPORTING PERIOD

The Group has the following significant event after the reporting period:

1. On 15 December 2020, Brilliant Together Limited, Ace Concord Asia Limited (“**Ace**”) and the Company entered into the sale and purchase agreement (“**Ace SPA**”), pursuant to the Ace SPA, the Group has conditionally to sell 50% of its equity interest in SDMA at a consideration of US\$3,000,000 (equivalent to approximately HK\$23,250,000). Since no agreement have been reached to extend the long stop date, the Ace SPA was therefore lapsed on 12 March 2021 pursuant to the terms. Further details of this transaction are set out in the Company’s announcements dated 16 December 2020, 7 January 2021, 15 January 2021, 29 January 2021, 5 February 2021, 11 February 2021, 26 February 2021, 9 March 2021, 17 March 2021 and 25 March 2021.
2. Subsequent to 31 December 2020, the directors of an indirect wholly-owned subsidiary resolved that it and several of its subsidiaries in Australia are insolvent and unable to pay their debt, and that they should cease their operations and should be wound up. Accordingly, a resolution was passed on 27 April 2021 to wind up and cease all Australia business by way of creditors’ voluntary liquidation.
3. Subsequent to 31 December 2020, the Australia Convertible Note have been fully redeemed and the Group was discharged and released from all obligations and responsibilities under such convertible note. On 5 January 2021, the Group entered into a new subscription agreement with the same investor to issue convertible note (“**New Australia Convertible Note**”) in principal amount of up to US\$6,350,000 (equivalent to approximately HK\$49,530,000) with maturity date of 30 April 2024. The Group has obtained the confirmation from the investor that he did not intend to exercise the early redemption option before 30 June 2022 under the New Australia Convertible Note.
4. Subsequent to 31 December 2020, the Company entered into two 1-year corporate bond agreements, with two of its directors. Pursuant to the agreements, the Group is going to issue unlisted corporate bonds to them with principal amounts of HK\$10,000,000 and HK\$15,000,000 respectively. Both corporate bonds will bear interests of 1% per annum. As at date of this report, the Group has received a total of HK\$9,900,000 non-refundable deposits relating to these corporate bonds. These issuances are expected to be completed in first half of 2021.

MATERIAL DIFFERENCES BETWEEN UNAUDITED AND AUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2020 had not been completed as at the date of publication of the Unaudited Annual Results Announcement. Since subsequent adjustments have been made to the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement upon the completion of audit, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results of the Group contained in the Unaudited Annual Results Announcement and the audited annual results of the Group in this announcement. Set forth below are principal details and reasons for the material differences in such financial information.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Disclosure in this announcement 2020 HK\$'000	Disclosure in the Unaudited Annual Results Announcement 2020 HK\$'000	Difference HK\$'000	Notes
Revenue	156,294	161,993	(5,699)	(a)
Other income	53,222	48,988	4,234	(a)
Amortisation	(5,442)	(1,479)	(3,963)	(b)
Impairment loss on goodwill	(40,855)	(22,960)	(17,895)	(c)
Impairment loss on property, plant and equipment and right-of-use assets	(72,436)	(41,410)	(31,026)	(c)
Gain/(loss) an change in fair value of convertible notes	(47,464)	1,735	(49,199)	(d)

Notes:

- (a) The difference was mainly due to reclassification of franchise fee income from revenue to other income.
- (b) The difference was due to recognition of amortisation on intangible assets acquired during the year in accordance with the purchase price allocation performed by an independent valuer which was in process as of the date of issue of the Unaudited Annual Results Announcement.
- (c) The difference was due to recognition of additional impairment loss on the cash-generating units of the Group's kindergarten business in Hong Kong and training course business in Australia in accordance with the finalised impairment assessment.
- (d) The difference was due to recognition of loss on change in fair value of convertible note of HK\$47,464,000 in accordance with the valuation performed by an independent valuer which was in process as of the date of issue of the Unaudited Annual Results Announcement.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Disclosure in this announcement As at 31 December 2020 HK\$'000	Disclosure in the Unaudited Annual Results Announcement As at 31 December 2020 HK\$'000	Difference HK\$'000	Notes
Non-current assets				
Property, plant and equipment	20,878	22,639	(1,761)	(a)
Right-of-use assets	96,567	101,757	(5,190)	(a)
Goodwill	99,062	136,827	(37,765)	(a)
Intangible assets	78,542	72,501	6,041	(b)
Current assets				
Trade and other receivables, deposits and prepayments	38,484	41,891	(3,407)	(c)
Current liabilities				
Trade and other payables and accrued charges	40,056	58,577	(18,521)	(d)
Deferred income	39,047	34,908	4,139	(e)
Lease liabilities	75,897	65,092	10,805	(f)
Non-current liabilities				
Deferred tax liabilities	6,707	11,742	(5,035)	(g)
Convertible notes	248,040	198,863	49,177	(h)
Lease liabilities	121,322	96,565	24,757	(f)

Notes:

- (a) The difference was due to recognition of additional impairment loss on the cash-generating units of the Group's kindergarten business in Hong Kong and training course business in Australia in accordance with the finalised impairment assessment. In addition, except for the impairment loss, the change in the amount of right-of-use assets was due to the recognition of effects of extension options for renewal of leases for certain premises rented by the Group's subsidiaries.
- (b) The difference was due to recognition of intangible asset – customer relationship arisen from the acquisition of dance academy business during the year.
- (c) The difference was due to recognition of allocation of lease receivable from other receivables and recognition of additional provision for expected credit loss.
- (d) The difference was due to allocation of receipt in advance for exam handling fee of approximately HK\$4,149,000 and rental payables of approximately HK\$9,744,000 to deferred income and lease liabilities respectively.

- (e) The difference was due to allocation of receipt in advance for exam handling fee from other payables and accrued charges to deferred income.
- (f) The difference was mainly due to allocation of rental payables of approximately HK\$9,744,000 from other payables and accrued charges to lease liabilities and recognition of effects of extension options for renewal of leases for certain premises rented by the Group's subsidiaries.
- (g) The difference was due to recognition of the tax effects on the intangible assets in accordance with the valuation performed by an independent valuer which was in process as of the date of issue of the Unaudited Annual Results Announcement.
- (h) The difference was due to the recognition of loss on change in fair value of convertible note of HK\$47,464,000 in accordance with the valuation performed by an independent valuer which was in process as of the date of issue of the Unaudited Annual Results Announcement.

Save as disclosed in this announcement and the corresponding adjustments related to above differences, there is no material change in other information contained in the Unaudited Annual Results Announcement.

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

BUSINESS REVIEW

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

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

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

The Group has been seeking for further investment opportunities in different education sectors to enhance the Group's revenue stream and explore potential synergy effect with the Group's existing early childhood education business. During the year 2020, the Group completed the acquisition of Children's Services Education Pty Limited ("CSE") which has two colleges in Sydney and Melbourne, Australia. CSE is a registered training organisation in Australia and a specialist provider for national accredited vocational education and training courses on early childhood education and care which included both diploma-granting and certification-granting programmes.

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

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

FORWARD

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

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

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

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

A NOTE OF APPRECIATION

On behalf of the Board, I wish to take this opportunity to express my appreciation to our Shareholders, investors, business partners, suppliers, students and the parents for their continuous support and trust to the Group. I would also like to express our sincere thanks to the management and staff for their commitment and contribution throughout the years. I look forward to a productive year in 2021 despite a challenging year ahead due to the effect of 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 sector in Singapore and Australia.

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

BUSINESS REVIEW

Hong Kong

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

Singapore

Despite the outbreak of the COVID-19 pandemic, the school hours in Singapore were not affected to a large extent. The students continue having lectures and tutorials at school. Together with the Government support, the business performance for the education business and the Group’s early childhood education business in Singapore only suffered little impact on the outbreak of the COVID-19 pandemic. This demonstrates that the decision at which the Directors proactively seeking appropriate opportunities to expand its business scope and to diversify its existing business in other regions such as Singapore was proper and wise.

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

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

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

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

Australia

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

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

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

FINANCIAL REVIEW

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

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

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

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

As at 31 December 2020, the Group had goodwill and intangible assets in the carrying amount of HK\$99.1 million (2019: HK\$83.6 million) and HK\$78.5 million (2019: HK\$13.3 million) respectively. They are mainly arisen from the acquisition of subsidiaries since 2018. Purchase price allocation for the acquisitions is performed by an independent professional valuer to determine the values of goodwill and intangible assets at the date of acquisition. Impairment assessment is made by the management at the end of the reporting period by comparing the recoverable amount of each cash-generating unit (“**CGU**”) to the carrying amount. The recoverable amount of the relevant CGUs is determined based on a value in use calculation. Other than discount rate and terminal growth rate, other key assumptions related to the estimation of cash inflow and outflow which include projected revenues and operating expenses (e.g. selling expenses, rental expenses, staff costs and other general expenses).

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

CAPITAL STRUCTURE

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

As at 31 December 2020 and 2019, the authorised share capital of the Company was HK\$800,000,000 divided into 8,000,000,000 shares of the Company of HK\$0.1 each (“Share(s)”). As at 31 December 2020, the issued share capital of the Company was HK\$38,460,000 divided into 384,600,000 shares (2019: HK\$35,410,000 dividend into 354,100,000 shares).

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

As at 31 December 2020, the Group had outstanding convertible notes with carrying amount of approximately HK\$289.7 million in total (2019: HK\$204.5 million). The convertible note with face value of US\$25 million (equivalent to HK\$195.4 million) carries interest at 8% per annum and will mature on 31 March 2023. The convertible note with face value of US\$5 million (equivalent to HK\$39 million) carries interest at 8% per annum and will mature on 16 January 2024. The repayment of the convertible notes is guaranteed by the Company.

COMMITMENTS

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

Details of other commitments are set out as below.

- (i) The Group has commitment to contribute a registered capital of RMB3,000,000 (2019: RMB3,000,000) to Guangzhou Delilong and a subsidiary, 廣州樂動心弦文化發展有限公司 (“廣州樂動心弦”), as at 31 December 2020.
- (ii) Pursuant to the sale and purchase agreement dated 27 October 2020, the Group has committed to acquire the business assets of Cherie Hearts @ Eastgate Pte Ltd. in Singapore at a maximum aggregate consideration of S\$1,200,000 (equivalent to approximately HK\$7,044,000). Up to 31 December 2020, the Group has paid S\$400,000 (equivalent to HK\$2,348,000) to the vendor. The acquisition of the assets of Cherie Hearts @ Eastgate Pte Ltd. was completed on 1 January 2021.
- (iii) Pursuant the memorandum of understanding with certain target companies, the Group has committed to acquire the entire equity interest of certain companies incorporated in Singapore at a maximum aggregate consideration of S\$7,200,000 (equivalent to approximately HK\$42,264,000). Up to 31 December 2020, the Group has paid S\$250,000 (2019: S\$250,000) (equivalent to HK\$1,467,500 (2019: HK\$1,448,000)) to the vendors.
- (iv) The Group has entered into a sale and purchase agreement and has committed to acquire the entire interest of Dawnwood Education Group Limited in Hong Kong at a maximum aggregate consideration of HK\$48,000,000 which shall be satisfied by 21,334,000 new shares of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS

Material acquisitions completed by the Group during the year included (i) jazz and ballet academy business in Hong Kong; (ii) early childhood education business in Singapore; and (iii) adult education and training business in Australia. There are no major disposals during the year.

SIGNIFICANT INVESTMENTS

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

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE EXPOSURE

As at 31 December 2020, 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 swimming and speech treatment. The management considered there was no recoverability problem from the related parties of the Group. The pledged bank deposits and the bank balances are deposited with banks which have good reputation.

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

CHARGE ON GROUP'S ASSETS

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

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

EMPLOYEES AND REMUNERATION POLICIES

With the increase in the number of subsidiaries, staff and teaching consultants services costs of the Group, including Directors' emoluments, were approximately HK\$121.5 million for the year ended 31 December 2019 (2019: approximately HK\$84.6 million). Remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. In addition to basic salaries, year-end discretionary bonuses were offered to those staff with outstanding performance to attract and retain eligible employees to contribute to the Group. Apart from basic remuneration, the Company has adopted a share option scheme and share options may be granted to eligible employees by reference to the Group's performance as well as individual contribution.

MATERIAL EVENTS AFTER THE REPORTING DATE

Details of events after the reporting period of the Group are set out in Note 17 to this audited results announcement.

SHARE OPTION SCHEME

The Company's share option scheme ("**Share Option Scheme**") was conditionally adopted by a written resolutions of the Shareholders on 26 September 2014 (the "**Date of Adoption**"), and is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors, other employees and other eligible participants who have made valuable contribution to the Group. Up to 31 December 2019 and the date of this announcement, there was 35,410,000 share options and 44,090,000 share options, respectively, granted or agreed to be granted under the Share Option Scheme from the Date of the Adoption.

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

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

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

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

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

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

CORPORATE GOVERNANCE CODE

During the year ended 31 December 2020, the Company has complied with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules (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.

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.

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.

DIVIDENDS

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders’ entitlements to attend and vote at the forthcoming annual general meeting to be held on 25 June 2021 (the “**2021 AGM**”), the transfer books and the register of members of the Company will be closed from 22 June 2021 to 25 June 2021 (both days inclusive), during which period no transfer of shares will be effected. In order to establish the right to attend and vote at the 2021 AGM, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s Hong Kong share registrar, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong no later than 4:00 p.m. on 21 June 2021.

AUDIT COMMITTEE

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

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

The audit committee has reviewed together with the management the accounting principles and policies adopted by the Group and the annual results for the year ended 31 December 2020.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2020.

DISCLAIMER OF OPINION

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

BASIS FOR DISCLAIMER OF OPINION

Multiple uncertainties relating to going concern

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

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

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

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

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been compared by the Company's auditors, Grant Thornton Hong Kong Limited, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by Grant Thornton Hong Kong Limited in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong Limited on this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the shares of the Company (the "Shares") on the Stock Exchange has been suspended with effect from 9:00 a.m. on 20 April 2021 pending the release of this annual results announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 14 May 2021.

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

Hong Kong, 13 May 2021

As at the date of this announcement, the executive Directors are Mr. Chiu Ka Lok and Mr. Chun Chi Ngon Richard, the non-executive Directors are Dr. Chun Chun and Ms. Yeung Siu Foon and the independent non-executive Directors are Dr. Hung Siu Ying Patrick, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing.