

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



SDM GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8363)

DISCLOSEABLE TRANSACTION ACQUISITION OF CHILDCARE BUSINESS IN SINGAPORE

THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcements of the Company dated 28 June 2019 (the “**Announcement**”) in relation to the acquisitions of the Target Assets from the Vendors.

The Board is pleased to announce that, on 30 September 2019 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendors and the Vendor Partners, pursuant to which the Vendors has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Assets at cash consideration of S\$1,300,000 (equivalent to approximately HK\$7,410,000).

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisitions constitute discloseable transactions under Rule 19.06(2) of the GEM Listing Rules and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

THE SALE AND PURCHASE AGREEMENT

Reference is made to the announcements of the Company dated 28 June 2019 (the “**Announcement**”) in relation to the acquisitions of the Target Assets from the Vendors.

The Board is pleased to announce that, on 30 September 2019 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendors and the Vendor Partners, pursuant to which the Vendors has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Target Assets at cash consideration of S\$1,300,000 (equivalent to approximately HK\$7,410,000).

The principal terms of the Sale and Purchase Agreement are as follow:

Date: 30 September 2019 (after trading hours)

Parties:

(i) Purchaser: SDM International Investments Pte. Ltd.

(ii) Vendors: Moriah Schoolhouse LLP (“**MS**”) and Moriah Schoolhouse @ FV LLP (“**MS FV**”)

(iii) Vendor Partners: Zee Mei Eng (“**Ms. Zee**”), Chi Hong Liang and Ng Teong Bee (“**Ms. Ng**”)

To the best of knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendors and its ultimate beneficial owners and the Vendor Partners are third parties independent of the Company and not connected persons of the Company.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Vendors has agreed to sell, and the Purchaser has agreed to purchase the Target Assets, including all rights, title, benefits and advantages attaching to all assets and rights owned or used by or under control of the Vendors in connection with the Business as below:

- (a) the goodwill of the Business, all relevant intellectual property rights in connection thereto, the right to use the Trade Name, the right to use the name “Moriah Schoolhouse” in its exact form, and to represent the Purchaser as carrying on the Business in succession to the Vendor (the “**Goodwill**”);
- (b) all the equipment and fittings of the Business as described in the Sales and Purchase Agreement (the “**Fixed Assets**”);
- (c) all the inventory, curriculum, teaching resources in any form including but not limited to worksheets, teaching aids and all relevant aids, more particularly described in the Sales and Purchase Agreement (the “**Inventory Assets**”); and
- (d) all student lists, licences and such other assets deemed by the Purchaser to be necessary for the operation of the Business, as more particularly described in the Sales and Purchase Agreement (the “**Other Assets**”).

For the purpose of the Sales and Purchase Agreement and notwithstanding anything contained herein, the Goodwill, the Fixed Assets, the Inventory Assets and the Other Assets (shall be collectively referred to hereinafter as the “**Business Assets**”).

Conditions precedent

Completion is conditional upon the satisfaction of the following conditions precedent:

- (a) Completion of the legal and financial due diligence and financial audit or review (including the review of the latest three (3) year period audited accounts/management accounts, as the case may be) on terms satisfactory to the Purchaser and agreement on all legal documentation (including the successful transfer of ownership of the Business Assets to the Purchaser, and obtaining all internal and external approvals as determined by the Purchaser in its discretion to be necessary for the successful completion of the transaction;
- (b) The Vendors shall, and the Vendor Partners shall procure that, all required approvals are obtained from the Early Childhood Development Agency of Singapore (“**ECDA**”) on or before the Completion Date;
- (c) The staff to children ratio remaining in compliance with the applicable ECDA regulations at all times (excluding Ms. Zee and Ms. Ng);
- (d) Each of the Vendors and each of the Vendor Partners undertakes to the Purchaser to achieve the performance target (the “**Performance Target**”) as below:
 - (i) The EBITDA of the Business for a period of twelve (12) months, from July 2019 to June 2020 (the “**Test Period**”), shall not be less than S\$300,000 (equivalent to approximately HK\$1,710,000) (after deducting monthly salary and the relevant Central Provident Fund contribution(s) of Ms. Zee and Ms. Ng from the relevant target company’s monthly revenue) provided always that the Purchaser allows for a 10% tolerance of deviation from the afore-mentioned S\$300,000 (equivalent to approximately HK\$1,710,000) amount; and
 - (ii) Each of the Vendors agrees that in the event the EBITDA of the Business for the Test Period fall below the amount of S\$270,000 (equivalent to HK\$1,539,000) (being the minimum tolerance amount permitted by the Purchaser), then approximately S\$100,000 (equivalent to approximately HK\$570,000) shall be deducted at the Purchaser’s sole discretion from the Tranche 3 (as defined below) of the Consideration. For the avoidance of doubt and as an illustration only, the amount of S\$100,000 (equivalent to approximately HK\$570,000) will be deducted at the Purchaser’s sole discretion if the same EBITDA is determined to be S\$269,000 (equivalent to approximately HK\$1,533,000);
- (e) All necessary authorisations, consents, approvals, filings and registration with the Hong Kong Stock Exchange and other relevant government institutions and regulatory authorities in relation to the transaction contemplated under the MOU and this Agreement have been obtained; and
- (f) The Vendors shall reinstate immediately at its cost, any structures of fixtures or conduct any other renovation works at the Premises, if instructed to do so by the landlord, the ECDA or Fire Safety and Shelter Bureau of Singapore (“**MSF**”) prior to Completion.

In the event that (i) the deliverable documents for the Completion are not received by the Purchaser from the Vendors to its reasonable satisfaction or (ii) the transaction envisaged under the Sale and Purchase Agreement is not consummated on or before the Completion Date, the transaction shall be considered void and the Vendors shall, and the Vendor Partners shall procure that, all monies already paid by the Purchaser under the terms of the Sale and Purchase Agreement shall be repaid in full (and not in part) to the Purchaser. Accordingly, after such payment is made to the satisfaction of the Purchaser, neither the Vendors nor the Purchase shall have any outstanding claims against each other, save for any claims related to breaches of the Sale and Purchase Agreement which have arisen prior to such repayment of monies to the Purchaser.

Consideration

The Consideration is determined after arm's length negotiations between the Vendors and the Purchaser with reference to, among others, (i) the Group's strategic plan to strengthen its development of its own early childhood brand and curriculum in Singapore; (ii) synergy effect arising from the combination of early childhood business and the extra curriculum of jazz and ballet and pop dance academy experience of the Group (e.g. the Group intends to promote and integrate its dancing programs into the childcare programs to enhance its competitiveness); and (iii) the reasons for and benefits of the Acquisitions as further discussed below.

The Directors consider that the Consideration is fair and reasonable after taking into account of the above factors.

The Consideration for the Target Assets shall be satisfied by the Purchaser in cash in the following manner:

- (a) \$130,000 (equivalent to approximately HK\$741,000) already paid by the Purchaser to MS (upon signing the MOU) of which the Vendors hereby acknowledges due receipt (the "**Tranche 1**");
- (b) S\$520,000 (equivalent to approximately HK\$2,964,000) to be paid by the Purchaser to the Vendors upon the due execution of the Sale and Purchase Agreement and the due satisfaction of the Tranche Release Conditions (as defined below) (the "**Tranche 2**"); and
- (c) S\$650,000 (equivalent to approximately HK\$3,705,000) to be paid on the Completion Date (the "**Tranche 3**") (Note: S\$100,000 (equivalent to approximately HK\$570,000) out of the Tranche 3 shall only be paid by the Purchaser after the Test Period if the Performance Target under the conditions precedent is met.)

Tranche 2 Release Conditions:

- (a) The Vendors shall obtain the consent of the landlord of the Premises to novate the current leases of the Premises;
- (b) The Vendors shall bear all staff bonuses, leave entitlement and/or other incidental benefits due to the existing employees prior to Completion; and

- (c) The Vendor shall permit access to the Purchaser to inspect at all reasonable times the Premises and Business Assets.

Non-competition

The Vendors shall not be, directly or indirectly, on their own or on behalf of any other person, or in conjunction with any other entity, involved in any endeavour, activity or business in Singapore in the nursery and pre-schooling sector, for a period of thirty-six (36) months from the Completion Date within five (5) kilometres where the Premises are located.

Completion

Upon satisfaction of all the conditions precedent of the Sale and Purchase Agreement, the Completion shall take place on the Completion Date.

In consideration of the Purchaser agreeing to enter into the Sale and Purchase Agreement, the Vendor Partners irrevocably and unconditionally guarantees to the Purchaser punctual performance by the Vendors of all their respective obligations and undertakings under the Sale and Purchase Agreement.

INFORMATION ON THE VENDORS AND BUSINESS

The Vendors are two limited-liability partnership registered in Singapore. They are principally engaged in operating the childcare business in Singapore.

As at the date of this announcement, the Business is operated by the Vendors.

For the two years ended 31 December 2017 and 2018, the unaudited profit before and after taxation attributable to the Target Assets were approximately S\$111,000 (equivalent to approximately HK\$633,000) and S\$95,000 (equivalent to approximately HK\$542,000) respectively.

As at 31 July 2019, the unaudited value of the assets attributable to the Target Assets was approximately S\$178,000 (equivalent to approximately HK\$1,015,000).

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

The Group is principally engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong and the PRC; and (ii) operation of kindergartens in Hong Kong and Singapore.

As the Business are well established in prime locations in Singapore, where the Premises are designated for education purpose by the local government which were unique in such areas, the Company considers that the Acquisition is in line with its strategic plan to build up the Group's presence in the early childhood business in Singapore local market. In addition, the Directors intend to promote and integrate its dancing programs into the childcare programs, and believe that there will be synergy effect arising from the combination of early childhood business and the extra curriculum of jazz and ballet and pop dance academy experience of the Group, which may further enhance competitiveness and profitability of the Group.

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable and on normal commercial terms and the Acquisition is in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

As the relevant applicable percentage ratios (as defined under Chapter 19 of the GEM Listing Rules) in respect of the Acquisition exceed 5% but are less than 25%, the Acquisitions constitute discloseable transactions under Rule 19.06(2) of the GEM Listing Rules and are subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of the Target Assets pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business”	the business of operating and managing the childcare centre currently carried on by the Vendors at the Premises
“Company”	SDM Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the GEM
“Completion”	completion of the acquisition of the Target Assets in accordance with the terms and conditions of the Sale and Purchase Agreement
“Completion Date”	31 December 2019 or such other date to be mutually agreed by the parties to the Sale and Purchase Agreement in writing, subject to MSF/ECDA granting the childcare licence(s) to the Purchaser
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	S\$1,300,000 payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“MOU”	the memorandum of understanding dated 19 June 2019 entered into between SDM Singapore Education Limited, an indirect wholly-owned subsidiary of the Company and the Vendor Partners
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Premises”	1 Seletar Road #02–07/08, The Greenwich, Singapore 807011 and 7 Ang Mo Kio St 66, #01–18 to 28, Flora Vista, Singapore 567708
“Purchaser”	SDM International Investments Pte. Ltd. a limited liability company registered in Singapore and is a wholly-owned subsidiary of the Company
“S\$”	Singapore dollars, the lawful currency of Singapore
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 30 September 2019 entered into between the Company, the Vendors and the Vendor Partners
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Assets”	the assets associated with the operation and management of the Business carried on by Vendors at the Premises
“Trade Name”	“MORIAH SCHOOLHOUSE @ GREENWICH V” and “MORIAH SCHOOLHOUSE @ FLORA VISTA”
“Vendors”	Moriah Schoolhouse LLP and Moriah Schoolhouse @ FV LLP, limited liability partnerships established in Singapore

“Vendor Partners” Zee Mei Eng, Chi Hong Liang and Ng Teong Bee, being the partners and managers of the Vendors

“%” per cent.

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

Hong Kong, 30 September 2019

As at the date of this announcement, the executive Directors are Mr. Chiu Ka Lok, 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 Mr. Lau Sik Yuen, Dr. Yuen Man Chun Royce and Mr. Chak Chi Shing.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain at www.hkgem.com on the “Latest Company Announcements” page of the GEM website for at least 7 days from the date of its posting and on the Company website at www.sdm.hk.

In the case of inconsistency, the English text of this announcement shall prevail over the Chinese text.

In this announcement, the conversion of S\$ into HK\$ has been made at the rate of S\$1.00=HK\$5.70. Such conversion rate is included in this announcement for indicative purpose only.