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## **SDM Education Group Holdings Limited**

### **SDM 教育集團控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8363)**

## **PROPOSED CAPITAL REORGANISATION**

**Financial adviser to the Company**



**CAPITAL LIMITED**

**RaffAello Capital Limited**

### **PROPOSED CAPITAL REORGANISATION**

The Company proposes to implement the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Share Sub-division, details of which are as follows:

#### **(1) Share Consolidation**

Every fifty (50) issued and unissued Existing Shares of par value HK\$0.10 each in the share capital of the Company will be consolidated into one (1) Consolidated Share of par value HK\$5.00 each in the share capital of the Company and the total number of Consolidated Shares in the issued share capital of the Company immediately following the Share Consolidation will be rounded down to a whole number by cancelling any fraction in the issued share capital of the Company arising from the Share Consolidation.

#### **(2) Capital Reduction**

The Capital Reduction will be implemented subsequent to the Share Consolidation becoming effective, pursuant to which the par value of each of the then issued Consolidated Shares will be reduced from HK\$5.00 to HK\$0.01 by cancelling the paid-up capital of the Company to the extent of HK\$4.99 on each of the then issued Consolidated Shares.

### **(3) Share Sub-division**

Immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$5.00 each will be sub-divided into five hundred (500) New Shares of par value of HK\$0.01 each.

## **GENERAL**

An EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolutions to be proposed at the EGM. A circular containing, among other matters, details of the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders on or before Thursday, 6 October 2022.

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon the satisfaction of the conditions set out in the paragraph headed "**Conditions of the Capital Reorganisation**". Accordingly, the Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt, they should consult their professional advisers.

## **PROPOSED CAPITAL REORGANISATION**

The Company proposes to implement the Capital Reorganisation which will involve the Share Consolidation, the Capital Reduction and the Share Sub-division, details of which are as follows:

### **(1) Share Consolidation**

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### **(3) Share Sub-division**

Immediately following the Capital Reduction, each of the authorised but unissued Consolidated Shares of par value of HK\$5.00 each will be sub-divided into five hundred (500) New Shares of par value of HK\$0.01 each.

## **Effects of the Capital Reorganisation**

As at the date of this announcement, the authorised share capital of the Company is HK\$800,000,000 divided into 8,000,000,000 Existing Shares of par value HK\$0.10 each of which 457,600,000 Existing Shares have been issued and are fully paid or credited as fully paid. Assuming there will be no change in the issued share capital of the Company from the date of this announcement until the effective date of the Capital Reorganisation, the authorised share capital of the Company will be HK\$800,000,000 divided into 80,000,000,000 New Shares of par value of HK\$0.01 each, of which 9,152,000 New Shares will be in issue and the aggregate par value of the issued share capital of the Company will be HK\$91,520 upon the Capital Reorganisation becoming effective.

Based on the 457,600,000 Existing Shares in issue as at the date of this announcement, a credit of approximately HK\$45,668,480 will arise as a result of the Capital Reduction. It is proposed that the total credit arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company upon the Capital Reduction becoming effective. Any excess of such credits will be transferred to the distributable reserve account of the Company which will be utilised by the Company in any manner as the Board may deem fit and permitted under all applicable laws and the memorandum and articles of association of the Company.

Shareholders and potential investors of the Company should note that the credits arising in the books from the Capital Reorganisation will be subject to change depending on the number of the Existing Shares in issue immediately prior to the Capital Reorganisation becoming effective.

Assuming no further Existing Shares will be issued or repurchased from the date of this announcement up to the effective date of the Capital Reorganisation, the effect of the Capital Reorganisation on the share capital structure of the Company is summarised as follows:

	<b>As at the date of this announcement</b>	<b>Immediately after completion of the Share Consolidation but prior to the Capital Reduction and the Share-division becoming effective</b>	<b>Immediately after completion of the Capital Reduction and the Share Sub-division</b>
Authorised share capital	HK\$800,000,000	HK\$800,000,000	HK\$800,000,000
Number of authorised shares	8,000,000,000 Existing Shares of HK\$0.10 each	160,000,000 Consolidated Shares of HK\$5.00 each	80,000,000,000 New Shares of HK\$0.01 each
Amount of the issued share capital	HK\$45,760,000	HK\$45,760,000	HK\$91,520
Number of issued shares	457,600,000 Existing Shares of HK\$0.10 each	9,152,000 Consolidated Shares of HK\$5.0 each	9,152,000 New Shares of HK\$0.01 each
Number of unissued shares	7,542,400,000 Existing Shares of HK\$0.10 each	150,848,000 Consolidated Shares of HK\$5.00 each	79,990,848,000 New Shares of HK\$0.01 each

All New Shares in issue immediately following the Capital Reorganisation becoming effective will rank pari passu in all respects with each other and the Capital Reorganisation will not result in any change in the relative rights of the Shareholders.

Other than the relevant expenses, including but not limited to professional fees and printing charges to be incurred, the implementation of the Capital Reorganisation will have no material effect on the consolidated net asset value of the Group, nor will they alter the underlying assets, business, operations, management or financial position of the Company or the proportionate interests of the Shareholders, save for any fractional New Shares to which Shareholders may be entitled. The Directors are of the view that the Capital Reorganisation will not have any material adverse effect on the financial position of the Group and are in the interest of the Company and the Shareholders as a whole.

#### **Fractional entitlement to New Shares**

Any fractional Shares arising from the Share Consolidation will not be allocated to the Shareholders. Any fractional entitlement to the Consolidated Shares will be aggregated, sold and retained for the benefit of the Company.

## **Conditions of the Capital Reorganisation**

The Share Consolidation is conditional upon:

- i. the passing of an ordinary resolution by the Shareholders to approve the Share Consolidation at the EGM;
- ii. the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consolidated Shares upon the Share Consolidation becoming effective; and
- iii. the compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the GEM Listing Rules to effect the Share Consolidation.

The Share Consolidation will become effective on the second Business Day immediately following the fulfilment of the above conditions.

The Capital Reduction and the Share Sub-division are conditional upon:

- i. the Share Consolidation becoming effective;
- ii. the passing of a special resolution by the Shareholders to approve the Capital Reduction and the Share Sub-division at the EGM;
- iii. the GEM Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the New Shares arising from the Capital Reduction and the Share Sub-division;
- iv. the Court granting an order confirming the Capital Reduction;
- v. compliance with any conditions which the Court may impose in relation to the Capital Reduction;
- vi. registration by the Registrar of Companies in the Cayman Islands of a copy of the order of the Court confirming the Capital Reduction and the minute approved by the Court containing the particulars required under the Companies Law with respect to the Capital Reduction; and
- vii. the compliance with the relevant procedures and requirements under the applicable laws of Cayman Islands and the GEM Listing Rules to effect the Capital Reduction and the Share Sub-division.

The Capital Reduction and the Share Sub-division will become effective when the conditions mentioned above are fulfilled. Upon the approval by the Shareholders of the Capital Reorganisation at the EGM, the legal advisers to the Company (as to Cayman Islands Law) will apply to the Court for hearing date(s) to confirm the Capital Reduction and further announcement(s) will be made by the Company as soon as practicable after the Court hearing date(s) is confirmed.

## **Listing and dealings**

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Consolidated Shares and the New Shares arising from the Capital Reorganisation.

Subject to the granting of the listing of, and permission to deal in, the Consolidated Shares and the New Shares on the Stock Exchange, the Consolidated Shares and the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealing in the Consolidated Shares and the New Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements will be made for the Consolidated Shares and the New Shares to be admitted into CCASS established and operated by HKSCC.

None of the share capital or debt securities of the Company is listed or dealt in on any other stock exchange other than the Stock Exchange and no such listing or permission to deal is being or is proposed to be sought.

## **REASONS FOR THE CAPITAL REORGANISATION**

Pursuant to Rule 17.76 of GEM Listing Rules, where the market price of the securities of an issuer approaches the extremities of HK\$0.01 or HK\$9,995.00, the issuer may be required either to change the trading method or to proceed with a consolidation or splitting of its securities. The **“Guide on Trading Arrangements for Selected Types of Corporate Actions”** issued by the Hong Kong Exchanges and Clearing Limited on 28 November 2008 and last updated on 1 October 2020 has stated that (i) market price of the shares at a level less than HK\$0.1 will be considered as trading at extremity as referred to under Rule 17.76 of the GEM Listing Rules; and (ii) taking into account the minimum transaction costs for a securities trade, the expected board lot value should be greater than HK\$2,000.

Taking into account of the closing price of HK\$0.095 per Existing Share as at the date of this announcement, the Capital Reorganisation would enable the Company to comply with the trading requirements under the GEM Listing Rules.

The Share Consolidation will reduce the total number of Existing Shares currently in issue and is expected to bring about a corresponding upward adjustment to the trading price per Share on the Stock Exchange, and hence the transaction costs as a proportion of the market value of each board lot will be lower. The trading price per Share on the Stock Exchange is expected to increase from below HK\$0.10 to close to HK\$3.00 as a result of the corresponding upward adjustment brought about by the Share Consolidation. The higher trading price per Share expected after the Share Consolidation may attract established institutional investors to consider making investments in the Company. Asia Pacific Structured Equity Fund, an institutional investor, is discussing with senior management of the Company about potential investment in the securities of the Company.

Thus, the Board considers that the Share Consolidation would maintain the trading amount for each board lot at a reasonable level in order to attract more investors and to extend the shareholder base of the Company. It is also hoped that the Share Consolidation will make investing in the Shares more attractive to a broader range of investors, in particular to institutional investors whose house rules might otherwise prohibit or restrict trading in securities that are priced below a prescribed floor, and thus help to further broaden the shareholder base of the Company. The Directors also believe that the Share Consolidation will provide greater opportunity for and more flexibility in the Company's possible equity fund raising in the future. The Board considers that the Share Consolidation is beneficial to and in the interests of the Company and the Shareholders as a whole.

Further, under the Companies Law, the Company is restricted in its ability to issue Shares at a price lower than their par value. The Capital Reduction will reduce the par value of the Consolidated Shares, which will provide the Company with greater flexibility to accommodate the issue of new Shares in the future when necessary.

The Capital Reorganisation would help maintain the transaction amount for each board lot at a reasonable level and attract more investors, provide flexibility for equity fund raising of the Company in the future and eliminate a substantial amount of the Company's accumulated losses, hence, allowing greater flexibility for the Company to pay dividends in the future. Accordingly, the Directors consider that the Capital Reorganisation are beneficial to and in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, the Company has no intention to carry out other corporate actions in the next 12 months which may have an effect of undermining or negating the intended purpose of the Capital Reorganisation, and the Company does not have any concrete plan to conduct any fund raising activities in the next 12 months, save as the potential investment opportunity with Asia Pacific Structured Equity Fund disclosed above. However, the Board cannot rule out the possibility that the Company will conduct debt and/or equity fund raising exercises when suitable fund raising opportunities arise in order to support future development of the Group. The Company will make further announcement in this regard in accordance with the Listing Rules as and when appropriate.

## **OTHER ARRANGEMENTS**

### **Exchange of share certificates**

Subject to the Share Consolidation becoming effective, Shareholders may, on or after Tuesday, 1 November 2022 until Wednesday, 7 December 2022 (both days inclusive), submit share certificates for the Existing Shares (in purple colour) to the Registrar, Union Registrars Limited, at Suites 3301-4, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong at the expense of the Company, for new share certificates for the Consolidated Shares (in grey colour) (on the basis of fifty (50) Existing Shares for one (1) Consolidated Share). Thereafter, certificates of Existing Shares will be accepted for exchange only on payment of a fee of HK\$2.50 each (or such other amount as may from time to time be specified by the Stock Exchange) by the Shareholders for each share certificate for the Existing Shares submitted for cancellation or each new share certificate issued for the Consolidated Shares, whichever the number of certificates cancelled/issued is higher. After 4:10 p.m. on Monday, 5 December 2022, existing share certificates for the Existing Shares will only remain effective as documents of title and may be exchanged for certificates for Consolidated Shares at any time but will not be accepted for delivery, trading and settlement purposes.

As the Court hearing dates have yet to be fixed, the effective date of the Capital Reduction and the Share Sub-division is not ascertainable at present. Should the Capital Reduction and the Share Sub-division become effective, Shareholders may submit share certificates for the Consolidated Shares (in grey colour) to the Registrar, Union Registrars Limited, at Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong to exchange for new share certificates for the New Shares (in orange colour) at the expense of the Company within the relevant free exchange period from the effective date of the Capital Reduction and the Share Sub-division. Details of such free exchange of share certificates will be announced as soon as practicable.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of Consolidated Shares, the Company will appoint an agent to provide matching services on a best-efforts basis regarding the sale and purchase of odd lots of the Consolidated Shares from Tuesday, 15 November 2022 to Monday, 5 December 2022 (both days inclusive). Shareholders should note that matching of the sale and purchase of odd lots of the Consolidated Shares is not guaranteed. Any Shareholder who is in any doubt about the odd lots arrangement is recommended to consult his/her/its own professional advisers. Further details in respect of the odd lots trading arrangement will be set out in the circular to be despatched to the Shareholders.

### **Adjustments to the outstanding share options**

As at the date of this announcement, there are outstanding share options for subscription of 54,797,000 Existing Shares under the Share Option Scheme. The Capital Reorganisation may lead to adjustments to the exercise price and/or the number of Shares falling to be issued upon exercise of the outstanding options pursuant to the terms and conditions of the Share Option Scheme and the GEM Listing Rules. The Company will make further announcements regarding the adjustments in accordance with the GEM Listing Rules in due course.

Save as disclosed above, as at the date of this announcement, the Company has no other derivatives, options, warrants or other securities in issue which are convertible or exchangeable into any Shares.



## EXPECTED TIMETABLE

The expected timetable for the implementation of the Capital Reorganisation is set out below:

<b>Event(s)</b>	<b>Time and date</b>
Expected date of despatch of the circular, proxy form and the notice of the EGM .....	on or before Thursday, 6 October 2022
Latest date and time for lodging transfers documents in order to qualify for attendance and voting at the EGM .....	4:00 p.m. on Friday, 21 October 2022
Closure of register of members for the determining the entitlement to attend and vote at the EGM for the Capital Reorganisation (both dates inclusive) .....	Monday, 24 October 2022 to Friday, 28 October 2022
Latest date and time for lodging forms of proxy for the EGM .....	11:00 a.m. on Wednesday, 26 October 2022
Expected date and time of the EGM.....	11:00 a.m. on Friday, 28 October 2022
Announcement of poll results of the EGM for the Capital Reorganisation.....	Friday, 28 October 2022

***The following events are conditional on the fulfilment of the conditions for the implementation of the Share Consolidation:***

<b>Event(s)</b>	<b>Time and date</b>
Effective date of the Share Consolidation .....	Tuesday, 1 November 2022
First day for free exchange of existing share certificates for share certificates of the Consolidated Shares.....	Tuesday, 1 November 2022
Dealings in the Consolidated Shares commence.....	9:00 a.m. on Tuesday, 1 November 2022

<b>Event(s)</b>	<b>Time and date</b>
Original counter for trading in the Existing Shares in board lots of 2,000 Existing Shares (in the form of existing share certificates) temporarily closes .....	9:00 a.m. on Tuesday, 1 November 2022
Temporary counter for trading in the Consolidated Shares in board lots of 40 Consolidated Shares (in the form of existing share certificates) opens.....	9:00 a.m. on Tuesday, 1 November 2022
Original counter for trading in the Consolidated Shares in board lots of 2,000 Consolidated Shares (in the form of new share certificates) re-opens .....	9:00 a.m. on Tuesday, 15 November 2022
Parallel trading in the Existing Shares and Consolidated Shares (in the form of existing share certificates and new share certificates) commences .....	9:00 a.m. on Tuesday, 15 November 2022
Designated broker starts to stand in the market to provide matching services for odd lots of the Consolidated Shares .....	9:00 a.m. on Tuesday, 15 November 2022
Designated broker ceases to stand in the market to provide matching services for odd lots of the Consolidated Shares .....	4:00 p.m. on Monday, 5 December 2022
Temporary counter for trading in the Consolidated Shares in board lots of 40 Consolidated Share (in the form of existing share certificates) closes .....	4:10 p.m. on Monday, 5 December 2022
Parallel trading in Consolidated Shares (in the form of existing share certificates and new share certificates) ends.....	4:10 p.m. on Monday, 5 December 2022
Last day for free exchange of existing share certificates for the share certificates of the Consolidated Shares.....	Wednesday, 7 December 2022

***The following events are conditional on the fulfilment of the conditions for the implementation of the Capital Reduction and Share Sub-division:***

<b>Event(s)</b>	<b>Time and date</b>
Expected effective date of the Capital Reduction and the Share Sub-division .....	before 9:00 a.m. on Friday, 9 December 2022
Commencement of dealings in the New Shares .....	9:00 a.m. on Friday, 9 December 2022

All times and dates specified in this announcement refer to the Hong Kong times and dates. This timetable is indicative only and any subsequent changes to the expected timetable will be announced by the Company as and when appropriate.

## **GENERAL**

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve the Capital Reorganisation. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution to be proposed at the EGM. A circular containing, among other things, details of the Capital Reorganisation and a notice convening the EGM will be despatched to the Shareholders on or before Thursday, 6 October 2022.

Shareholders and potential investors of the Company should note that the Capital Reorganisation is conditional upon the satisfaction of the conditions set out in the paragraph headed "**Conditions of the Capital Reorganisation**". Accordingly, the Capital Reorganisation may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Existing Shares, and if they are in any doubt, they should consult their professional advisers.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

"Board"	the board of Directors
"Business Day(s)"	day(s) (excluding Saturdays, Sundays and public holidays) on which banks are open for business in Hong Kong
"Capital Reduction"	the proposed reduction of the par value of each of the then issued Consolidated Shares from HK\$5.00 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$4.99 on each of the then issued Consolidated Shares

“Capital Reorganisation”	the proposed reorganisation of the share capital of the Company involving the Share Consolidation, the Capital Reduction and the Share Sub-division
“CCASS”	Central Clearing and Settlement System, a securities settlement system used within the Hong Kong Exchanges and Clearing Limited market system
“CCASS Operational Procedures”	the Operational Procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to operations and functions of CCASS, as from time to time
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961), of the Cayman Islands as consolidated and revised
“Company”	SDM Education Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the GEM (stock code: 8363)
“Consolidated Share(s)”	the ordinary share(s) of par value of HK\$5.00 each in the share capital of the Company immediately after the Share Consolidation but before the Capital Reduction and the Share Sub-division becoming effective
“Court”	the Grand Court of the Cayman Islands
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Capital Reorganisation
“Existing Share(s)”	the ordinary share(s) of par value of HK\$0.10 each in the share capital of the Company prior to the Capital Reorganisation becoming effective
“GEM”	the GEM of the Stock Exchange
“GEM Listing Committee”	the GEM listing sub-committee of the board of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures

“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“New Share(s)”	the ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company immediately upon the Capital Reorganization becoming effective
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, Union Registrars Limited at Suites 3301–4, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong
“Share(s)”	the Existing Share(s), the Consolidated Share(s) and/or the New Share(s), as the case may be
“Share Consolidation”	the proposed consolidation of every fifty (50) issued and unissued Existing Shares of par value of HK\$0.10 each in the share capital of the Company into one (1) Consolidated Share of par value of HK\$5.00 each and the cancellation of any fraction in the issued share capital of the Company arising as a result of the Share Consolidation (if applicable)
“Share Option Scheme”	the share option scheme of the Company adopted on 26 September 2014
“Share Sub-division”	the proposed sub-division of each of the authorised but unissued Consolidated Share of par value of HK\$5.00 each into five hundred (500) New Shares of par value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, Wednesday, 28 September 2022

*As at the date of this announcement, the executive Directors are Mr. Chiu Ka Lok, Mr. Chun Chi Ngon Richard and Dr. Chun Chun, the non-executive Director is Ms. Yeung Siu Foon and the independent non-executive Directors are Mr. Chak Chi Shing, Dr. Hung Siu Ying Patrick and Dr. Kao Ping Suen.*

*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.hkexnews.hk](http://www.hkexnews.hk) on the “Latest Listed Company Information” page of the HKEX website for at least 7 days from the date of its posting and on the Company website at [www.sdm.hk](http://www.sdm.hk).*