

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.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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)

**(1) PROPOSED RIGHTS ISSUE ON THE BASIS OF
ONE (1) RIGHTS SHARE FOR EVERY TWO (2) EXISTING SHARES
HELD ON RECORD DATE
(2) POSSIBLE ADJUSTMENTS TO
THE SHARE OPTIONS AND THE CONVERTIBLE NOTES**

Underwriter to the Rights Issue



太平基業證券有限公司

Pacific Foundation Securities Limited

Financial adviser to the Company

VEDA | CAPITAL
智 略 資 本

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise (before expenses) up to approximately HK\$23.84 million (assuming no change in the number of Shares in issue on or before the Record Date other than the conversion in full of the Convertible Notes) by issuing up to 238,362,028 Rights Shares to the Qualifying Shareholders.

Irrevocable Undertaking

As at the date of this announcement, the Committed Shareholders, namely Mr. Chiu, Dr. Chun and Wealthy Together, held 24,000,000 Shares, 56,000,000 Shares and 198,750,000 Shares, respectively, representing approximately 5.24%, approximately 12.24% and approximately 43.43% of the total number of issued Shares, respectively.

Pursuant to the Irrevocable Undertaking, each of the Committed Shareholders has irrevocably and unconditionally agreed and undertaken to the Company, among other things, that:

- (i) they will remain the beneficial owner of the respective Relevant Shares from the date of the Irrevocable Undertaking up to and including the Record Date; and
- (ii) they will accept or procure the acceptance of the Committed Shares, and shall procure the completed PALs in respect of the Committed Shares be lodged with the Registrar on or before the Latest Time for Acceptance in accordance with the instructions printed on the PAL with the effect of application for subscription for the full amount of the Committed Shares on a fully-paid basis.

Optionholder's Undertakings

As at the date of this announcement, each of the Share Options Holders has signed the Optionholder's Undertakings not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder's Undertakings to the close of business on the Record Date.

Repayment of Shareholders' Loans

The Company, Mr. Chiu and Dr. Chun will enter into the Set-Off Agreement, pursuant to which the parties have agreed to restructure the Shareholders' Loans by offsetting the outstanding balance of the Shareholders' Loans as at the date of completion of the Rights Issue on a dollar-to-dollar basis against an equivalent amount of the aggregated subscription price of (i) all Committed Shares; and (ii) the Relevant Excess Shares allocated to Mr. Chiu, Dr. Chun and Wealthy Together. The Set-Off will be conditional upon the completion of the Rights Issue.

The exact amount of the Set-Off would depend on the number of Committed Shares to be taken up by, and the number of Relevant Excess Shares to be applied for and allocated to, Mr. Chiu, Dr. Chun and Wealthy Together.

INTENDED USE OF PROCEEDS

The net proceeds from the Rights Issue after deducting the relevant expenses of the Rights Issue of approximately HK\$1.42 million are estimated to be approximately HK\$22.42 million. After the Set-Off, the Company intends to apply the Remaining Proceeds of approximately HK\$7.5 million as to approximately HK\$2.5 million for expansion of the Academy Business and approximately HK\$5.0 million for other general corporate and working capital purposes.

THE UNDERWRITING AGREEMENT

On 6 January 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on fully underwritten basis, up to 98,987,028 Underwritten Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed "The Underwriting Agreement" in this announcement.

GEM LISTING RULES IMPLICATIONS

As (i) the Company has not conducted any rights issue or open offer within the 12-month period immediately prior to the date of this announcement, (ii) the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, and (iii) the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective associates), the Rights Issue is not subject to Shareholders' approval under the GEM Listing Rules.

GENERAL

Subject to the fulfilment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS AND THE CONVERTIBLE NOTES

As at the date of this announcement, there are (i) 29,710,000 outstanding Share Options granted by the Company carrying rights for the holders thereof to subscribe for an aggregate of 29,710,000 new Shares; and (ii) the Convertible Notes entitling the holders thereof to convert into 19,124,056 Shares. Pursuant to the terms of the Share Option Scheme and the instrument of the Convertible Notes, the Rights Issue may lead to adjustments to, among others, (i) the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme and (ii) the conversion price and/or the number of Shares to be converted under the Convertible Notes. The Company will notify the holders of such Share Options, the Convertible Notes and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and the Convertible Notes and such adjustments will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL-PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 January 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 31 January 2023 to Tuesday, 7 February 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

PROPOSED RIGHTS ISSUE

The Company proposes to implement the Rights Issue on the basis of one (1) Rights Share for every two (2) existing Shares held on the Record Date at the Subscription Price of HK\$0.10 per Rights Share, to raise (before expenses) up to approximately HK\$23.84 million (assuming no change in the number of Shares in issue on or before the Record Date other than the conversion in full of the Convertible Notes) by issuing up to 238,362,028 Rights Shares to the Qualifying Shareholders.

On 6 January 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, up to 98,987,028 Underwritten Shares, subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein. Details of the major terms and conditions precedent of the Underwriting Agreement are set out in the section headed “The Underwriting Agreement” in this announcement.

Further details of the Rights Issue are set out below:

Issue statistics

Basis of the Rights Issue	:	one (1) Rights Share for every two (2) existing Shares held on the Record Date
Subscription Price	:	HK\$0.10 per Rights Share
Number of existing Shares in issue as at the date of this announcement	:	457,600,000 Shares
Number of Rights Shares	:	Up to 238,386,028 Rights Shares (assuming no change in the number of Shares in issue or before the Record Date other than the conversion in full of the Convertible Notes)
Aggregate nominal value of the Rights Shares	:	Up to HK\$23.84 million
Number of Shares in issue as enlarged by the allotment and issue of the Rights Shares	:	Up to 715,086,084 Shares
Maximum funds to be raised before expenses	:	Up to approximately HK\$23.84 million
Right of excess applications	:	Qualifying Shareholders may apply for Rights Shares in excess of their provisional allotment

The 238,362,028 Rights Shares to be issued pursuant to the terms of the Rights Issue represent (i) approximately 52.09% of the total number of issued Shares as at the date of this announcement; and (ii) approximately 33.33% of the number of issued Shares as enlarged by the allotment and issue of the Rights Shares (on the basis that there will be no change number of issued Shares on or before the Record Date other than the conversion in full of the Convertible Notes).

As at the date of this announcement, save for the Irrevocable Undertaking, the Company has not received any information from any Shareholders of their intention to take up the Rights Shares to be provisionally allotted to them under the Rights Issue.

Subscription Price

The Subscription Price is HK\$0.10 per Rights Share, payable in full upon acceptance of the relevant provisional allotment of Rights Shares and, where applicable, application for Excess Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

- (i) the same as the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) the same as the average of the closing prices of approximately HK\$0.10 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (iii) the same as the average of the closing prices of approximately HK\$0.10 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 7.98% to the average of the closing prices of approximately HK\$0.11 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day;
- (v) the same as the theoretical ex-rights price of approximately HK\$0.10 per Share as adjusted for the effect of the Rights Issue, based on the closing price of HK\$0.10 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (vi) a premium of approximately HK\$0.596 per Share over the audited net liabilities value per Share of approximately HK\$0.496 as at 31 December 2021, based on (a) the net liabilities attributable to the Shareholders of approximately HK\$226,814,000 as at 31 December 2021; and (b) 457,600,000 issued Shares as at the date of this announcement; and

- (vii) no theoretical dilution effect (as defined under Rule 10.44A of the GEM Listing Rules), being the discount of the theoretical diluted price of approximately HK\$0.10 per Share to the benchmarked price of approximately HK\$0.10 per Share (as defined under Rule 10.44A of the GEM Listing Rules, taking into account the higher of the closing price on the Last Trading Day of HK\$0.10 per Share and the average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Last Trading Day of approximately HK\$0.10 per Share).

The net price per Rights Share (i.e. Subscription Price less cost and expenses incurred in the Rights Issue) upon full acceptance of the provisional allotment of Rights Shares will be approximately HK\$0.094.

The Subscription Price was set at a discount to the recent closing prices of the Shares aiming at lowering the further investment cost of the Shareholders so as to encourage them to take up their entitlements to maintain their shareholdings in the Company, thereby minimising dilution impact. The Subscription Price was determined after arm's length negotiation between the Company and the Underwriter with reference to, among other things, (i) the market price of the Shares under the prevailing market conditions; (ii) the financial performance of the Group for the year ended 31 December 2021 and six months ended 30 June 2022; and (iii) the reasons for and benefits of the Rights Issue as discussed in the section headed "REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE" in this announcement.

The Directors (including the independent non-executive Directors) consider the terms of the Rights Issue, including the Subscription Price, to be fair and reasonable and in the best interests of the Company and the Shareholders as a whole, after taking into account that (i) the Qualifying Shareholders who do not wish to take up their provisional entitlements under the Rights Issue are able to sell the nil-paid rights in the market; (ii) the Rights Issue allows the Qualifying Shareholders to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company and apply for Excess Rights Shares subject to the level of acceptance; (iii) the proceeds from the Rights Issue can fulfil the development plan of the Group; and (iv) the Subscription Price represents a premium over the net liabilities values per Share as at 31 December 2021 and 30 June 2022.

Qualifying Shareholders

The Company will send the Prospectus Documents to the Qualifying Shareholders only. For the Non-Qualifying Shareholders, the Company will send copies of the Prospectus to them for their information only, but no PAL and EAF will be sent to the Non-Qualifying Shareholders. To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company and not be Non-Qualifying Shareholder on the Record Date. As at the date of this announcement, the Shares were not eligible securities for southbound trading under Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect. As a result, the PRC Southbound Trading Investor(s) cannot participate in the Rights Issue through China Clear.

Shareholders whose Shares are held by nominee companies (or which are deposited in CCASS) should note that the Board will regard a nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Shareholders with their Shares held by nominee companies (or which are deposited in CCASS) are advised to consider whether they would like to arrange for registration of the relevant Shares in the name of the beneficial owner(s) prior to the Record Date. Shareholders and investors of the Company should consult their professional advisers if they are in doubt.

In order to be registered as members of the Company on the Record Date, a Shareholder must lodge the relevant transfer(s) of Share(s) (with the relevant share certificates) for registration with the Registrar at Suite 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong by 4:00 p.m. on Friday, 13 January 2023.

The last day of dealing in the Shares on cum-rights basis is Wednesday, 11 January 2023. The Shares will be dealt with on an ex-rights basis from Thursday, 12 January 2023.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled and Non-Qualifying Shareholders should note that their shareholdings in the Company will be diluted.

Rights of Overseas Shareholders

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong. Overseas Shareholder(s) may not be eligible to take part in the Rights Issue as explained below.

In compliance with the necessary requirements of the GEM Listing Rules, the Company will make enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholder(s) (if any). If based on legal opinions provided by the legal advisers to the Company, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholder(s) on account either of the legal restrictions under the laws of the relevant place(s) or the requirements of the relevant regulatory body or stock exchange in that (those) place(s), the Rights Issue will not be extended to such Overseas Shareholder(s). As at the date of this announcement, there was no Shareholder whose address was outside Hong Kong.

The basis for excluding the Non-Qualifying Shareholder(s), if any, from the Rights Issue will be set out in the Prospectus. The Company will send the Prospectus only (without the PAL and the EAF) and a letter explaining the circumstances in which the Non-Qualifying Shareholders are not permitted to participate in the Rights Issue to the Non-Qualifying Shareholders for their information only.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Non-Qualifying Shareholder(s) to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of such sale, less expenses and stamp duty, of more than HK\$100 will be paid pro rata to the relevant Non-Qualifying Shareholder(s). The Company will retain individual amounts of HK\$100 or less for the benefit of the Company. Any unsold entitlement of Non-Qualifying Shareholder(s) to the Rights Shares and any Rights Shares provisionally allotted but not accepted by the Qualifying Shareholders will be made available for excess applications by Qualifying Shareholders under the EAF(s).

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue subject to the results of the enquiries made by the Company pursuant to the GEM Listing Rules. Accordingly, Overseas Shareholders should exercise caution when dealing in the securities of the Company.

Closure of register of members

The register of members of the Company will be closed from Monday, 16 January 2023 to Friday, 20 January 2023 (both days inclusive) for determining the Shareholders' entitlements to the Rights Issue.

No transfer of Shares will be registered during the above book closure period.

Basis of provisional allotments

The basis of the provisional allotment shall be one (1) Rights Share for every two (2) existing Shares in issue and held by the Qualifying Shareholders at the close of business on the Record Date at the Subscription Price payable in full on acceptance and otherwise on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents.

Application for all or any part of a Qualifying Shareholder's provisional allotment should be made by lodging a duly completed PAL and a cheque or a banker's cashier order for the sum payable for the Rights Shares being applied for with the Registrar on or before the Latest Time for Acceptance. Any holdings (or balance of holdings) of less than two (2) Shares will not entitle their holders to be provisionally allotted a Rights Share. Please refer to the arrangement as referred to in the paragraph headed "Fractional entitlements of the Rights Shares" below.

Fractional entitlements of the Rights Shares

In any event, fractions of the Rights Shares will not be provisionally allotted to any of the Qualifying Shareholders. Fractional entitlements will be rounded down to the nearest whole number of Rights Shares. Any Rights Shares created from the aggregation of fractions of the Rights Shares will be made available for excess application by the Qualifying Shareholders as described in the paragraph headed "Application for Excess Rights Shares" below. Should there be no excess application by the Qualifying Shareholders, those Rights Shares created from the aggregation of fraction of the Rights Shares may or may not be taken up by the Underwriter (or either of them, whichever shall be appropriate).

Status of the Rights Shares

The Rights Shares, when allotted and issued, shall rank pari passu in all respects with the Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

Share certificates and refund cheques for the Rights Issue

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully paid Rights Shares are expected to be posted to those entitled thereto by ordinary post at their own risk on Monday, 20 February 2023. Refund cheques in respect of wholly or partially unsuccessful applications for Excess Rights Shares (if any) are expected to be posted on Monday, 20 February 2023 by ordinary post to the applicants at their own risk, to their registered addresses.

Application for Excess Rights Shares

The Company shall make the Excess Rights Shares available for subscription by the Qualifying Shareholders by means of EAF, and the Excess Rights Shares represent:

- (i) any nil-paid Rights Shares provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance;
- (ii) subject to the provisions of the Underwriting Agreement, any entitlements of the Non-Qualifying Shareholders provisionally allotted to a nominee of the Company which are left unsold; and
- (iii) any of the Rights Shares created from the aggregation of fractions of the Rights Shares.

Application for Excess Rights Shares can be made by the Qualifying Shareholders only and by duly completing and signing an EAF (in accordance with the instructions printed therein) and lodging the same with a separate remittance for the Excess Rights Shares being applied for with the Registrar no later than 4:00 p.m. on Friday, 10 February 2023.

The Directors will, upon consultation with the Underwriter, allocate any Excess Rights Shares at their discretion on a fair and equitable basis on the following principles:

- (i) any Excess Rights Shares will be allocated to Qualifying Shareholders who apply for them on a pro rata basis in proportion to the number of the Excess Rights Shares applied for under each application;
- (ii) reference will only be made to the number of Excess Rights Shares being applied for but no preference will be made to the Rights Shares subscribed through applications by PALs or the existing number of Shares held by Qualifying Shareholders;

- (iii) if the aggregate number of Rights Shares not taken up by the Qualifying Shareholders and/or transferees of nil-paid Rights Shares under the PALs is greater than the aggregate number of Excess Rights Shares applied for through the EAFs, the Company will allocate to each Qualifying Shareholder who applies for Excess Rights Shares in full application; and
- (iv) no preference will be given to topping up odd-lots to whole board lots.

Shareholders with their Shares held by a nominee company (or which are deposited in CCASS) should note that the Board will regard such nominee company (including HKSCC Nominees Limited) as a single Shareholder according to the register of members of the Company. Accordingly, Shareholders should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to the relevant beneficial owners individually save and except for the beneficial owner(s) which the Company may permit in its absolute discretion. Shareholders with their Shares held by a nominee company (or which are held in CCASS) are advised to consider whether they would like to arrange for the registration of the relevant Shares under their own names on or prior to the Record Date for the purpose of the Rights Issue. Shareholders who would like to have their names registered on the register of members of the Company on the Record Date, must lodge all necessary documents with the Registrar for registration by no later than 4:00 p.m. on Friday, 13 January 2023. Shareholders and investors of the Company should consult their professional advisers if they are in doubt as to their status.

Arrangement on odd lots trading

In order to facilitate the trading of odd lots (if any) of the Shares, the Company will appoint a designated broker to arrange for matching service on a best effort basis regarding the sale and purchase of odd lots of the Shares for a limited period of time. Shareholders should note that matching of the sale and purchase of odd lots of the 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 Prospectus.

Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares, in both their nil-paid and fully-paid forms.

Subject to the granting of the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement dates of the dealings in the Rights Shares in both their nil-paid and fully-paid forms or such other dates as may be 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.

Dealing in the Rights Shares in both their nil-paid and fully-paid forms which are registered in the register of members of the Company in Hong Kong will be in the board lots of 2,000 Rights Shares and will be subject to the payment of stamp duty, Stock Exchange trading fee, SFC transaction levy, FRC transaction levy or any other applicable fees and charges in Hong Kong.

Shareholders are advised to consult their professional advisers if they are in doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the nil-paid Rights Shares or the fully-paid Rights Shares and, regarding Non-Qualifying Shareholders, their receipt of the net proceeds, if any, from sales of the nil-paid Rights Shares on their behalf.

Condition of the Rights Issue

The Rights Issue is conditional upon the Underwriting Agreement having become unconditional and not being terminated in accordance with the terms thereof.

Irrevocable Undertaking

As at the date of this announcement, the Committed Shareholders, namely Mr. Chiu, Dr. Chun and Wealthy Together, held 24,000,000 Shares, 56,000,000 Shares and 198,750,000 Shares, respectively, representing approximately 5.24%, approximately 12.24% and approximately 43.43% of the total number of issued Shares, respectively.

Pursuant to the Irrevocable Undertaking, each of the Committed Shareholders has irrevocably and unconditionally agreed and undertaken to the Company, among other things, that:

- (i) they will remain the beneficial owner of the respective Relevant Shares from the date of the Irrevocable Undertaking up to and including the Record Date; and
- (ii) they will accept or procure the acceptance of the Committed Shares, and shall procure the completed PALs in respect of the Committed Shares be lodged with the Registrar on or before the Latest Time for Acceptance in accordance with the instructions printed on the PAL with the effect of application for subscription for the full amount of the Committed Shares on a fully-paid basis.

Optionholder's Undertakings

As at the date of this announcement, each of the Share Options Holders has signed the Optionholder's Undertakings not to exercise the Share Options (or any part thereof) granted to him/her from the date of the Optionholder's Undertakings to the close of business on the Record Date.

Repayment of Shareholders' Loans

Pursuant to the Loan Agreement, Mr. Chiu had advanced to the Company the Shareholder's Loan A in the principal amount of HK\$10,000,000. The Shareholder's Loan A was used for (i) business development in Hong Kong including but not limited to opening new dance centre(s); (ii) expansion of business in the PRC in different areas to enhance the market sharing of the Group; (iii) relief of liabilities with a decrease of finance costs; and (iv) general working capital of the Group. The Shareholder's Loan is unsecured and bearing non-interest.

In addition, on 22 February 2022, the Company's loan with outstanding principal amount of HK\$29,080,000 owed to a third party which carried interest at 17.175% per annum at that time, was repaid by Mr. Chiu and Dr. Chun in the amount of HK\$21,080,000 on behalf of the Company. This helped the Company to reduce its financial burden for bearing such relatively high interest rate and hence reduce its finance costs. The Shareholder's Loan B is unsecured and initially bearing weighted-average interest rate at 11.39% per annum. The interest rate was subsequently agreed by Mr. Chiu and Dr. Chun to reduce to nil.

The Company, Mr. Chiu and Dr. Chun will enter into the Set-Off Agreement, pursuant to which the parties have agreed to restructure the Shareholders' Loans by offsetting the outstanding balance of the Shareholders' Loans as at the date of completion of the Rights Issue on a dollar-to-dollar basis against an equivalent amount of the aggregated Subscription Price of (i) all Committed Shares; and (ii) the Relevant Excess Shares allocated to Mr. Chiu, Dr. Chun and Wealthy Together. The Set-Off will be conditional upon the completion of the Rights Issue.

The exact amount of the Set-Off would depend on the number of Committed Shares to be taken up by, and the number of Relevant Excess Shares to be applied for and allocated to, Mr. Chiu, Dr. Chun and Wealthy Together.

THE UNDERWRITING AGREEMENT

The Underwriting Agreement

On 6 January 2023 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, pursuant to which the Underwriter has conditionally agreed to underwrite, on a fully underwritten basis, up to 98,987,028 Underwritten Shares (assuming no change in the number of Shares in issue on or before the Record Date), subject to the terms and conditions set out in the Underwriting Agreement, in particular the fulfilment of the conditions precedent contained therein.

Principal terms of the Underwriting Agreement

Date	:	6 January 2023 (after trading hours)
Underwriter	:	Pacific Foundation Securities Limited
Number of Rights Shares to be underwritten	:	Up to 98,987,028 Rights Shares (assuming no change in the number of Shares in issue on or before the Record Date other than the conversion in full of the Convertible Notes) underwritten by the Underwriter on a fully underwritten basis pursuant to the terms and conditions of the Underwriting Agreement
Underwriting Commission	:	4% of the aggregate Subscription Price of 98,987,028 Underwritten Shares

The Underwriter is a company incorporated in Hong Kong with limited liability and a corporation licensed by the SFC to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO whose ordinary course of business includes underwriting of securities. To the best of the Directors' knowledge, information and belief, the Underwriter and its ultimate beneficial owner(s) are Independent Third Parties.

The Rights Issue is underwritten by the Underwriter on a fully underwritten basis on the terms of the Underwriting Agreement.

The terms of the Underwriting Agreement, including the underwriting commission rate, were determined after arm's length negotiation between the Company and the Underwriter with reference to the existing financial position of the Group, the size of the Rights Issues, and the current and expected market condition. The Directors consider the entering into of the Underwriting Agreement with the Underwriter and the terms of the Underwriting Agreement (including the underwriting commission) to be fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Save for the Underwriting Agreement and the Undertakings, the Company has not entered into any agreement, arrangement, understanding or undertaking in regard of the Rights Issue with the Underwriter or any of its connected persons and their respective associate.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional upon the following conditions being fulfilled or waived (as appropriate):

- (a) the passing of all necessary resolution(s) by the board of directors of the Company to approve the Rights Issue;

- (b) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong respectively all the Prospectus Documents in accordance with section 342C of the Companies (WUMP) Ordinance and otherwise in compliance with the GEM Listing Rules, the Companies Ordinance and the Companies (WUMP) Ordinance not later than the Prospectus Posting Date;
- (c) the posting of the Prospectus Documents to the Qualifying Shareholders and the posting of the Prospectus and a letter in the agreed form to the Non-Qualifying Shareholders, if any, for information purpose only explaining the circumstances in which they are not permitted to participate in the Rights Issue on or before the Prospectus Posting Date;
- (d) the GEM Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Rights Shares (in their nil-paid and fully-paid forms) by no later than the first day of dealings in the Rights Shares;
- (e) each condition to enable the Rights Shares (in their nil-paid and fully-paid forms) to be admitted as eligible securities for deposit, clearance and settlement in CCASS (other than the listing approval) having been satisfied not later than the Business Day prior to the first day of dealings in the Rights Shares as set out in the Prospectus and no notification having been received by the Company from HKSCC by such date that such admission or facility for holding and settlement has been or is to be refused;
- (f) the Shares remaining listed on the Stock Exchange at all times prior to the Latest Time for Termination and the current listing of the Shares not having been withdrawn and no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of this Agreement or for any other reason;
- (g) this Agreement not being terminated by the Underwriter pursuant to the terms thereof prior to the Latest Time for Termination;
- (h) compliance with and performance by the Company of all undertakings and obligations under the terms of this Agreement by the times specified;
- (i) the compliance with and performance by the Committed Shareholders of all undertakings and obligations under the Irrevocably Undertaking by the times specified;
- (j) each of the Share Option Holders having executed and delivered the Optionholder's Undertaking to the Company and the Underwriter, and the compliance with and performance by the Share Option Holders of all undertakings and obligations under the Optionholder's Undertakings by the times specified therein; and
- (k) all relevant approvals having been obtained from all relevant governmental authorities (where applicable) as the case may require in connection with the Rights Issue by the relevant time that such consent and approval is required and such approvals not being withdrawn or revoked prior to the Latest Time for Termination;

and the conditions precedent as set out in (a) to (k) above are incapable of being waived. In the event of the said conditions precedent not being fulfilled or waived on or before the respective dates aforesaid, or if no time or date is specified, no later than 28 February 2023 or such later date or dates as may be agreed between the Company and the Underwriter in writing, the Underwriting Agreement may be rescinded by the Underwriter.

Termination of the Underwriting Agreement

If prior to the Latest Time for Termination:

- (A) the Underwriter shall become aware of the fact that, or shall have reasonable cause to believe that any of the warranties or undertakings in this Agreement being untrue, inaccurate, misleading or breached, or there is any matter which would reasonably be expected to give rise to a material breach or claim, and in each case the same is (in the absolute opinion of the Underwriter) material in the context of the Rights Issue; or
- (B) there shall be:
 - (i) any introduction of any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority, whether in Hong Kong or elsewhere;
 - (ii) any event, series of events or circumstances resulting in or likely to result in (whether or not foreseeable) any change in (whether or not permanent) local, national or international, financial, political, military, industrial, economic, legal, fiscal, taxation, regulatory or securities market matters or conditions or currency exchange rates or exchange controls in the PRC, Hong Kong and Cayman Islands which develop, occur, happen, come into effect, exist or come to the knowledge of the Underwriter;
 - (iii) any event or circumstance in the nature of force majeure (including, without limitation, any act of government, any local, national or international event or change of a political, military, financial, economic or other nature, any local, national or international outbreak or escalation of hostilities or armed conflict affecting local securities markets, economic sanctions, strike or lock-out (whether or not covered by insurance), riot, fire, explosion, flooding, earthquake, civil commotion, act or declaration of war, outbreak or escalation of hostilities (whether or not war is or has been declared), act of terrorism (whether or not responsibility has been claimed), act of God, pandemic, epidemic, outbreak of infectious disease, declaration of a state of emergency or calamity or crisis, in the PRC, Hong Kong and Cayman Islands;
 - (iv) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction of trading in securities) occurs;
 - (v) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out occurred after the signing of this Agreement;

- (vi) any material adverse change in the circumstances of the Company or any member of the Group;
- (vii) any moratorium, suspension or material restriction on trading of the Shares on the Stock Exchange occurs due to exceptional financial circumstances or otherwise;
- (viii) any suspension in the trading of securities generally or the Company's securities on the Stock Exchange for a period of more than seven consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement or the Prospectus Documents or other announcements in connection with the Rights Issue or for such events as required under the GEM Listing Rules not caused by any default or breach of the GEM Listing Rules by the Company;
- (ix) the occurrence of any Specified Event which is incapable of being waived by the Underwriter; or
- (x) any change or development involving a prospective change in taxation or exchange controls in Hong Kong or elsewhere,

which is or are, in the sole and absolute opinion of the Underwriter:–

- (a) likely to have a material adverse effect on the business, financial position or prospects of the Group taken as a whole; or
- (b) likely to have a material adverse effect on the success of the Rights Issue or the level of Rights Shares to be taken up; or
- (c) so material as to make it inappropriate, inadvisable or inexpedient to proceed further with the Rights Issue,

then the Underwriter may, by notice in writing given to the Company on or before the Latest Time for Termination, rescind this Agreement and the Rights Issue shall not proceed.

Upon termination of non-fulfillment of the conditions of the Underwriting Agreement or by serving a notice in writing by the Underwriter, all obligations of the Underwriter and the Company hereunder shall cease and determine and no party shall have any claim against any other party in respect of any matter or thing arising out of or in connection with this Agreement and the Company shall not be liable to pay any underwriting commission. Rescission or termination of the Underwriting Agreement shall be without prejudice to any rights of any party in respect of any breach by the other prior to such rescission or termination and in respect of any costs, fees and other reasonable out-of-pocket expenses of the Underwriter, which will be borne by the Company.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed. A further announcement would be made by the Company if the Underwriting Agreement is terminated by the Underwriter.

EXPECTED TIMETABLE

Set out below is the expected timetable for the Rights Issue which is indicative only and has been prepared on the assumption that all the conditions of the Rights Issue will be fulfilled:

Event	2023
Publication of this announcement	Friday, 6 January
Last day of dealings in Shares on a cum-rights basis	Wednesday, 11 January
First day of dealings in the Shares on an ex-rights basis	Thursday, 12 January
Latest time for lodging transfer of Shares in order to qualify for the Rights Issue	4:00 p.m. on Friday, 13 January
Register of members of the Company closes (both days inclusive)	Monday, 16 January to Friday, 20 January
Record Date for determining entitlements to the Rights Issue	Friday, 20 January
Register of members of the Company re-opens	Thursday, 26 January
Despatch of Prospectus Documents (in the case of Non-Qualifying Shareholders, the Prospectus only)	Friday, 27 January
First day of dealing in nil-paid Rights Shares	9:00 a.m. on Tuesday, 31 January
Latest time for splitting of the PAL	4:00 p.m. on Thursday, 2 February
Last day of dealing in nil-paid Rights Shares.....	Tuesday, 7 February
Latest Time for Acceptance of and payment for the Rights Shares and application and payment for excess Rights Shares.....	4:00 p.m. on Friday, 10 February
Latest Time for Termination of the Underwriting Agreement and for the Rights Issue to become unconditional (if applicable)	4:00 p.m. on Monday, 13 February
Announcement of allotment results.....	Friday, 17 February

Despatch of certificates for fully-paid Rights Shares and refund cheques, if any, in respect of wholly or partially unsuccessful application for excess Rights Shares	Monday, 20 February
Expected first day of dealings in fully-paid Rights Shares.....	9:00 a.m. on Tuesday, 21 February
Designated broker starts to stand in the market to provide matching services for odd lots of Shares.....	9:00 a.m. on Tuesday, 21 February
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares.....	4:00 p.m. on Tuesday, 14 March

Dates or deadlines specified in expected timetable above or in other parts of this announcement are indicative only and may be varied by agreement between the Company and the Underwriter. Any changes to the expected timetable will be published or notified to the Shareholders and the Stock Exchange as and when appropriate.

EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES

The latest time for acceptance of and payment for the Rights Shares will not take place if there is a tropical cyclone warning signal no. 8 or above, or a “black” rainstorm warning and/or Extreme Conditions caused by super typhoons is announced by the government of Hong Kong:

- (i) in force in Hong Kong at any local time before 12:00 noon and no longer in force after 12:00 noon on Friday, 10 February 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be extended to 5:00 p.m. on the same Business Day; or
- (ii) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on Friday, 10 February 2023. Instead, the latest time for acceptance of and payment for the Rights Shares will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for acceptance of and payment for the Rights Shares does not take place on or before 4:00 p.m. on Friday, 10 February 2023, the dates mentioned in this section may be affected. An announcement will be made by the Company in such event.

REASONS FOR AND BENEFITS OF THE RIGHTS ISSUE

The Company is an investment holding company and the Group is principally engaged in (i) jazz and ballet and pop dance academy in Hong Kong and the PRC (the “**Academy Business**”); (ii) operation of kindergartens and pre-schools in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; and (iv) provision of photographic services in Hong Kong.

As set out in the annual report of the Group for the financial year ended 31 December 2021, the revenue of the Group has increased by approximately 56.37% from approximately HK\$114.20 million for the financial year ended 31 December 2020 to approximately HK\$178.58 million for the financial year ended 31 December 2021. The growth in revenue was primarily attributable to the increase of the full-year operation of the flagship pre-school and a group of four pre-schools in Singapore and operation dance academies in Hong Kong.

As mentioned in the section headed “INTENDED USE OF PROCEEDS” in this announcement, the Directors are intended to conduct the Rights Issue to raise the required funds to expand and develop the Group’s business and repay the Shareholders’ Loans. The Set-Off will enable the Group to repay, in full or in part, the Shareholders’ Loans without cash outflow. The Group will utilize the Remaining Proceeds to continue to focus on engaging in business in relation to jazz and ballet and pop dance academy in Hong Kong as well as childcare business in Singapore. 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. As the competitions in the dance institution industry for children in Hong Kong is expected to remain competitive, the Directors consider that the Rights Issue will provide more flexibilities for the Group and enhance the financial capabilities of the Group to cope for any opportunities arise.

Looking forward, the Group is expected to continue to seek for appropriate investment opportunities to expand its business scope and to diversify its existing business. It is expected that the Group will further enhance the geographical coverage by opening and/or acquiring more dance centres in the future to strengthen its leading position in the industry. The Group targets to open new dance centres with locations near populated residential areas in Hong Kong, in particular, in private housing estates, in areas close to a network of schools or which are currently without the presence of the Group’s dance centres. In implementing the expansion plan, the Group will also consider to acquire existing dance centres from other players in the industry, if the right opportunity should arise, as the Group can be immediately benefited from the existing clientele base.

In light of the above, the Directors consider that the Rights Issue will allow the Group to improve its financial position and enhance its financial capabilities which will be vital to maintain the Group’s competitiveness under the rapidly evolving market with increasingly fierce competitions and will allow the Group to capture the market opportunities and expand its business in a timely manner. Therefore, the Directors consider that the Rights Issue is therefore beneficial and in the interests of the Company and the Shareholders as a whole.

Alternative means of fund raising

The Directors have considered other alternative means of fund raising, such as debt financing/ bank borrowings and placing of new Shares, before resolving to the Rights Issue. The Company has considered the pros and cons of different fund-raising options. In respect of debt financing, the Directors consider debt financing will result in additional interest burden and subject the Group to repayment obligations. In addition, as the Group does not have material fixed assets which is satisfactory to the banks to be served as collaterals and the fact that there is a disclaimer of opinion on going concern for the latest annual report of the Company, debt financing may not be achievable or may not be on favourable terms in a timely manner or may require pledge of other kind of assets or securities which may reduce the Group's flexibility.

As for equity fund raising, such as placing of new Shares, it would lead to immediate dilution in the shareholding interest of existing Shareholders without offering them the opportunity to participate in the enlarged capital base of the Company, which is not the intention of the Company. As for open offer, while it is similar to a rights issue by offering qualifying shareholders to participate, it does not allow free trading of rights entitlements in the open market.

In comparison, the Rights Issue is pre-emptive in nature, allowing Qualifying Shareholders to maintain their respective pro-rata shareholding through their participation in the Rights Issue. The Rights Issue allows the Qualifying Shareholders to (i) increase their respective interests in the shareholding of the Company by acquiring additional rights entitlement in the open market (subject to the availability); or (ii) reduce their respective interests in the shareholding of the Company by disposing of their rights entitlements in the open market (subject to the market demand). As an open offer does not allow the trading of rights entitlements, rights issue is preferred. Accordingly, the Directors consider that fund raising through the Rights Issue is in the interests of the Company and the Shareholders as a whole.

As at the date of this announcement, other than the Rights Issue, the Company did not have any other fund-raising plan.

INTENDED USE OF PROCEEDS

The estimated gross proceeds of the Rights Issue before the Set-Off will be approximately HK\$23.84 million.

The net proceeds from the Rights Issue after deducting the relevant expenses of the Rights Issue of approximately HK\$1.42 million are estimated to be approximately HK\$22.42 million. After the Set-Off, the Company intends to apply the Remaining Proceeds of approximately HK\$7.50 million as to approximately HK\$2.50 million for expansion of the Academy Business and approximately HK\$5.00 million for other general corporate and working capital purposes.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

For illustration purposes only, set out below are the shareholding structures of the Company as at the date of this announcement, and the effect on the shareholding structure of the Company upon completion of the Rights Issue in the manner contemplated under the Underwriting Agreement (assuming there is no change in the share capital of the Company on or before the Record Date):

(i) Assuming no Convertible Notes will be converted before the Record Date

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up all the entitled Rights Shares)		Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares and all Untaken Shares were subscribed for by or through the Underwriter)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Wealthy Together	198,750,000	43.43	298,125,000	43.43	298,125,000	43.43
Mr. Chiu	24,000,000	5.24	36,000,000	5.24	36,000,000	5.24
Dr. Chun	56,000,000	12.24	84,000,000	12.24	84,000,000	12.24
The Underwriter	–	–	–	–	89,425,000	13.03
Public Shareholders	178,850,000	39.08	268,275,000	39.08	178,850,000	26.06
Total	457,600,000	100.00	686,400,000	100.00	686,400,000	100.00

(ii) Assuming all Convertible Notes have been converted before the Record Date

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Rights Issue (assuming all Qualifying Shareholders have taken up all the entitled Rights Shares)		Immediately after completion of the Rights Issue (assuming none of the Qualifying Shareholders have taken up any entitled Rights Shares and all Untaken Shares were subscribed for by or through the Underwriter)	
	Number of Shares	Approximate %	Number of Shares	Approximate %	Number of Shares	Approximate %
Wealthy Together	198,750,000	43.43	298,125,000	41.69	298,125,000	41.69
Mr. Chiu	24,000,000	5.24	36,000,000	5.03	36,000,000	5.03
Dr. Chun	56,000,000	12.24	84,000,000	11.75	84,000,000	11.75
The Underwriter	–	–	–	–	98,987,028	13.84
Convertible Notes holders	–	–	28,686,084	4.01	19,124,056	2.67
Public Shareholders	178,850,000	39.08	268,275,000	37.52	178,850,000	25.02
Total	457,600,000	100.00	715,086,084	100.00	715,086,084	100.00

FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past 12 months immediately before the date of this announcement.

GEM LISTING RULES IMPLICATIONS

As (i) the Company has not conducted any rights issue or open offer within the 12-month period immediately prior to the date of this announcement, (ii) the Rights Issue will not increase the number of issued Shares or the market capitalisation of the Company by more than 50%, and (iii) the Rights Issue is not underwritten by a Director, chief executive or substantial shareholder of the Company (or any of their respective associates), the Rights Issue is not subject to Shareholders' approval under the GEM Listing Rules.

GENERAL

Subject to the fulfillment of certain conditions of the Rights Issue, the Company will despatch the Prospectus Documents containing, among other matters, details of the Rights Issue, to the Qualifying Shareholders. The Company will despatch the Prospectus to the Non-Qualifying Shareholders for their information only, but the Company will not send the PAL and EAF to the Non-Qualifying Shareholders.

POSSIBLE ADJUSTMENTS TO THE SHARE OPTIONS AND THE CONVERTIBLE NOTES

As at the date of this announcement, there are (i) 29,710,000 outstanding Share Options granted by the Company carrying rights for the holders thereof to subscribe for an aggregate of 29,710,000 new Shares; and (ii) the Convertible Notes entitling the holders thereof to convert into 19,124,056 Shares. Pursuant to the terms of the Share Option Scheme and the instrument of the Convertible Notes, the Rights Issue may lead to adjustments to, among others, (i) the exercise price and/or the number of Shares to be issued upon exercise of the outstanding Share Options under the Share Option Scheme and (ii) the conversion price and/or the number of Shares to be converted under the Convertible Notes. The Company will notify the holders of such Share Options, the Convertible Notes and the Shareholders by way of announcement (as and when appropriate) regarding adjustments to be made (if any) pursuant to the terms of the Share Option Scheme and the Convertible Notes and such adjustments will be certified by an independent financial adviser or auditors of the Company (as the case may be).

Save for the foregoing, as at the date of this announcement, the Company had no outstanding debt securities, derivatives, options, warrants, convertible securities or other similar securities which are convertible or exchangeable into Shares prior to the Record Date. The Company has no intention to issue or grant any Shares, convertible securities, warrants and/or options on or before the Record Date.

WARNING OF THE RISKS OF DEALING IN SHARES AND THE NIL PAID RIGHTS SHARES

Shareholders and potential investors of the Company should note that the Rights Issue is conditional upon, among others, the Underwriting Agreement having become unconditional and the Underwriter not having terminated the Underwriting Agreement in accordance with the terms thereof (a summary of which is set out in the paragraph headed “Termination of the Underwriting Agreement” under the section headed “The Underwriting Agreement”). Accordingly, the Rights Issue may or may not proceed.

The Shares are expected to be dealt in on an ex-rights basis from Thursday, 12 January 2023. Dealings in the Rights Shares in nil-paid form are expected to take place from Tuesday, 31 January 2023 to Tuesday, 7 February 2023 (both days inclusive). Any Shareholder or other person contemplating transferring, selling or purchasing the Shares and/or Rights Shares in their nil-paid form is advised to exercise caution when dealing in the Shares and/or the nil-paid Rights Shares.

Any party who is in any doubt about his/her/its position or any action to be taken is recommended to consult his/her/its own professional adviser(s). Any Shareholder or other person dealing in the Shares or in the nil-paid Rights Shares up to the date on which all the conditions to which the Rights Issue is subject are fulfilled (and the date on which the Underwriter’s right of termination of the Underwriting Agreement ceases) will accordingly bear the risk that the Rights Issue may not become unconditional or may not proceed.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which licensed banks in Hong Kong are generally open for business, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued or the Extreme Conditions is announced in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China Clear”	China Securities Depository and Clearing Corporation Limited
“Committed Shares”	the respective assured entitlements of the Committed Shareholders to the Rights Shares under the Rights Issue in full
“Committed Shareholders”	Mr. Chiu, Dr. Chun and Wealthy Together, who collectively legally and beneficially own 278,750,000 Shares, representing approximately 60.92% of the total number of the existing issued Shares as at the date of this announcement
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented and modified from time to time
“Company”	SDM Education Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the GEM Board of the Stock Exchange (stock code: 8363)

“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Convertible Notes”	outstanding convertible notes of the Company of US\$5,850,000 entitling the holders thereof to convert into 19,124,056 Shares at the conversion price of HK\$2.386 for each Share
“Director(s)”	director(s) of the Company
“Dr. Chun”	Dr. Chun Chun, an executive Director and the spouse of Mr. Chiu
“EAF(s)”	the form(s) of application for use by the Qualifying Shareholders who wish to apply for excess Rights Shares, being in such form as may be agreed between the Company and the Underwriter
“Excess Rights Shares”	any nil-paid Rights Share(s) provisionally allotted but not accepted by any of the Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares prior to the Latest Time for Acceptance, any entitlements of the Non-Qualifying Shareholders provisionally allotted to a nominee of the Company which are left unsold, and shall include any of the Rights Shares created from the aggregation of fractions of the Rights Shares
“Extreme Conditions”	the extreme conditions as announced by any Hong Kong governmental department or body or otherwise, whether or not under or pursuant to the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Labour Department in July 2021, in the event of serious disruption of public transport services, or government services, extensive flooding, major landslides or large-scale power outage after typhoons or incidents similar in seriousness or nature
“FRC”	the Financial Reporting Council of Hong Kong
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and connected person(s) of the Company
“Irrevocable Undertaking”	the irrevocable undertaking dated 6 January 2023 given by the Committed Shareholders in favour of the Company and the Underwriter and described in the paragraph headed “Irrevocable Undertaking” under the section headed “PROPOSED RIGHTS ISSUE” in this announcement
“Last Trading Day”	6 January 2023, being the last trading day of the Shares on the Stock Exchange before the release of this announcement
“Latest Time for Acceptance”	4:00 p.m. on Friday, 10 February 2023 or such later time or date as may be agreed in writing between the Company and the Underwriter, being the latest time for application for, acceptance and payment in respect of provision allotments under the Rights Issue and for application and payment for excess Right Shares as described in the Prospectus Documents
“Latest Time for Termination”	4:00 p.m. on Monday, 13 February 2023 being the first Business Day after the Latest Time for Acceptance or such later time or date as may be agreed between the Underwriter and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Loan Agreement”	the shareholder loan agreement dated 9 June 2021 entered into between Mr. Chiu as lender and the Company as borrower in respect of an unsecured and non-interest bearing loan of HK\$10,000,000
“Mr. Chiu”	Mr. Chiu Ka Lok, executive Director and Chairman of the Company, and spouse of Dr. Chun
“Non-Qualifying Shareholder(s)”	those Overseas Shareholder(s) whom the directors of the Company, based on the enquiry made or legal advice obtained, consider it necessary or expedient not to offer the Rights Shares to such Overseas Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place

“Optionholder’s Undertaking(s)”	the undertaking(s) by the holders of the Shae Options, whereby each of the relevant Share Option Holders irrevocably undertakes represent and warrant to the Company and the Underwriter that he/she/it will not exercise such Share Options held by him/her/it for the period from the date of such undertaking to the Record Date
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose address(es) as shown on such register is (are) outside Hong Kong
“PAL(s)”	the provisional allotment letter(s) to be used in connection with the Rights Issue in such form as may be agreed between the Company and the Underwriter
“PRC”	the People’s Republic of China
“PRC Southbound Trading Investor(s)”	the PRC southbound trading investor(s) through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect who hold(s) the Share(s) through China Clear and/or HKSCC Nominees Limited as nominee(s)
“Prospectus”	the prospectus to be despatched to the Shareholders containing the details of the Rights Issue in such form as may be agreed between the Company and the Underwriter
“Prospectus Documents”	the Prospectus, the PAL and the EAF
“Prospectus Posting Date”	Friday, 27 January 2023 or such other date as the Company may determine in writing for the despatch of the Prospectus Documents
“Qualifying Shareholders”	Shareholder(s) other than the Non-Qualifying Shareholder(s) whose name(s) appear(s) on the register of members of the Company on the Record Date
“Record Date”	Friday, 20 January 2023 or such other date as may be agreed between the Company and the Underwriter in writing for the determination of the entitlements under the Rights Issue
“Registrar”	the branch share registrar and transfer office of the Company in Hong Kong, being Union Registrars Limited, at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong

“Relevant Excess Share(s)”	the excess Rights Shares to be applied for by Mr. Chiu
“Remaining Proceeds”	the proceeds of the Rights Issue after deducting the relevant expenses of the Rights Issue and the Set-Off
“Rights Issue”	the proposed issue by way of rights on the basis of one (1) Rights Share for every two (2) existing Shares held by the Qualifying Shareholders on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents
“Rights Share(s)”	the new Share(s) proposed to be allotted and issued by the Company pursuant to the Rights Issue
“Set-Off”	the set-off of the amount of the Shareholders’ Loans against the equivalent amount of subscription price of the Committed Shares and the Relevant Excess Shares allocated to Mr. Chiu, Dr. Chun and Wealthy Together
“Set-Off Agreement”	the agreement of set-off to be entered into by the Company and Mr. Chiu and Dr. Chun in respect of the Set-Off
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai-Hong Kong Stock Connect” or “Shenzhen-Hong Kong Stock Connect”	a securities trading and clearing platform under which the PRC domestic investors may trade in the Hong Kong Stock Exchange via China Clear
“Share(s)”	ordinary share(s) of nominal value of HK\$0.1 each in the share capital of the Company
“Share Option(s)”	the total of 29,710,000 outstanding share options carrying rights for the holders thereof to subscribe for 29,710,000 new Shares granted under the Share Option Scheme
“Share Option Holders”	holders of the Share Options
“Share Option Scheme”	the existing share option scheme adopted by the Company on 26 September 2014
“Shareholder(s)”	the holder(s) of the issued Shares

“Shareholder’s Loan A”	the unsecured and non-interest-bearing loan in the principal amount of HK\$10,000,000 advanced by Mr. Chiu to the Company pursuant to the Loan Agreement
“Shareholder’s Loan B”	the unsecured loan in the principal amount of HK\$21,080,000 advanced by Mr. Chiu and Dr. Chun to the Company
“Shareholders’ Loans”	collectively, Shareholder’s Loan A and Shareholder’s Loan B
“Specified Event”	an event occurring or matter arising on or after the date of execution of the Underwriting Agreement and prior to the Latest Time for Termination which, if it had occurred or arisen before the date of execution of the Underwriting Agreement, would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.10 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the GEM Listing Rules
“Underwriter”	Pacific Foundation Securities Limited, a company incorporated in Hong Kong with limited liability and is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 9 (asset management) regulated activities under the SFO whose ordinary course of business includes underwriting of securities
“Underwriting Agreement”	the underwriting agreement dated 6 January 2023 (after trading hours) entered into between the Company and the Underwriter in relation to the underwriting arrangement in respect of the Rights Issue
“Underwritten Shares”	such number of untaken Rights Shares to be underwritten by the Underwriter pursuant to the terms of the Underwriting Agreement
“Untaken Shares”	the Underwritten Shares for which duly completed PAL or EAF (accompanied by cheques or banker’s cashier orders for the full amount payable on application which are honoured on first or, at the option of the Company, subsequent presentation) have not been lodged for acceptance, or received, as the case may be, on or before the Latest Time for Acceptance

“Wealthy Together”

Wealthy Together Limited, a company incorporated in British Virgin Islands, and is wholly and beneficially owned by Mr. Chiu

“%”

per cent.

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

Hong Kong, Friday, 6 January 2023

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 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.