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**SDM Group Holdings Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 8363)**

**DISCLOSEABLE TRANSACTION**  
**ACQUISITION OF CHILDCARE BUSINESS IN SINGAPORE**

**THE SALE AND PURCHASE AGREEMENT**

The Board is pleased to announce that, on 1 April 2020 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendors and the Ichiban Entities, pursuant to which the Vendors has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Assets at cash consideration of S\$600,000 (equivalent to approximately HK\$3,264,000).

**GEM LISTING RULES IMPLICATIONS**

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

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

**Date:** 1 April 2020 (after trading hours)

**Parties:**

- |       |                   |  |
|-------|-------------------|--|
| (i)   | Purchaser:        | SDM-Ichiban Preschool Pte. Ltd.  |
| (ii)  | Ichiban Entities: | Ichiban (Noble) Childcare Pte. Ltd. (“INC”) and<br>Ichiban (Yunnan) Childcare Centre (“IYC”) |
| (iii) | Vendors:          | INC and Ichiban Education Services Pte. Ltd. (“IES”)   |

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

### **Assets to be acquired**

Pursuant to the Sale and Purchase Agreement, the Vendors has agreed to sell, and the Purchaser has agreed to purchase the following Sale Assets:

#### ***INC Sale Assets***

- (a) The Purchaser intends to acquire from INC (the “**INC Sale Assets**”):
- (i) All assets including, without limitation to, all equipment, fittings, furniture, inventory within the respective Premises of INC and all other items necessary for the operation of the business of INC or implied, either by intention, or by operation of law, or by custom or usage and in the business of INC (the “**INC Assets**”);
  - (ii) Any and all rights, benefits and interests whatsoever accruing to the INC pursuant to each contract, which shall be novated and/or assigned to the Purchaser separately (the “**INC Novated Contracts**”);
  - (iii) The trademark (if any), logo, tradename, goodwill and all intellectual property rights, including but not limited to, all customer information, enrolment lists, know-how, domain names, copyrights, email and server accounts, as well as all teaching curriculum, aids, materials and resources whatsoever developed and improved from time to time, and all other proprietary rights whatsoever owner by or available to INC (the “**INC IP Rights**”); and
  - (iv) All account receivables and amounts, pre-payments, payments, monthly fees in respect of and in connection with the registration and enrolment of any children and/or students, and all deposits paid by students currently enrolled with the business of INC as at Completion Date shall form part of the Sale Assets and be due to the Purchaser in full (“**INC Customer Payments Received**”). For the avoidance of doubt, all deposits paid for by students no longer enrolled with INC at the Completion Date shall be fully returned to the respective customers by INC.

### ***IYC Sale Assets***

- (b) The Purchaser intends to acquire from IES as owner of IYC, the following assets of IYC (the “**IYC Sale Assets**”):
- (i) All assets including, without limitation to, all equipment, fittings, furniture, inventory within the respective Premises of IYC and all other items necessary for the operation of the business of IYC or implied, either by intention, or by operation of law, or by custom or usage and in the business of IYC (the “**IYC Assets**”);
  - (ii) Any and all rights, benefits and interests whatsoever accruing to the IYC pursuant to each contract, which shall be novated and/or assigned to the Purchaser separately (the “**IYC Novated Contracts**”);
  - (iii) The trademark (if any), logo, tradename, goodwill and all intellectual property rights, including but not limited to, all customer information, enrolment lists, know-how, domain names, copyrights, email and server accounts, as well as all teaching curriculum, aids, materials and resources whatsoever developed and improved from time to time, and all other proprietary rights whatsoever owned by or available to IYC (the “**IYC IP Rights**”); and
  - (iv) All account receivables and amounts, pre-payments, payments, monthly fees in respect of and in connection with the registration and enrolment of any children and/or students, and all deposits paid by students currently enrolled with the business of IYC as at Completion Date shall form part of the Sale Assets and be due to the Purchaser in full (“**IYC Customer Payments Received**”). For the avoidance of doubt, all deposits paid for by students no longer enrolled with IYC at the Completion Date shall be fully returned to the respective customers by IYC.

### **Conditions precedent**

The Purchaser shall proceed with the Sale and Purchase and enter into such Sales and Purchase Agreement with the Vendor provided the following conditions are fully met by the Vendor to the satisfaction of the Purchaser:

- (a) The Vendors are to commence the winding up or striking off of ICHIBAN EDUCATION PTE. LTD. (“**IE**”) and IES after Completion Date. The Vendors shall complete the winding up or striking off of IE and IES within 6 to 12 months after Completion Date or as soon as practicable. For the avoidance of doubt, the Vendors hereby irrevocably undertake not to continue any business whatsoever under IE and/or IES except for the purpose of receiving government subsidies for past disbursements from governmental authorities. The Vendors shall proceed to lodge with Accounting and Corporate Regulatory Authority applications to effect a name change of IE and IES within two weeks from the Completion Date. The new names of the IE and IES shall not bear the words “**ICHIBAN**” or any combination of words that would associate IE and IES with the brand name “**ICHIBAN**”;

- (b) The Vendors shall deliver up to the Purchaser no later than two (2) weeks before Completion Date the following evidentiary documents for inspection by the Purchaser (the “**Documents**”), which the Vendors covenant shall be accurate and current at the date of receipt of all such Documents by the Purchaser:
- (i) the full particulars of the Assets, Novated Contracts and the IP Rights; and
  - (ii) all statements of the respective bank accounts of the Vendors, complete records of student enrolments and registration, as well as all relevant records evidencing the fee deposit and payments received in respect of the respective businesses of the Vendors.

### **Conditions subsequent**

Upon Completion, one of the legal and beneficial owners of the Vendors shall be appointed as a consultant up to March 2021 which shall be subject to a separate consultancy agreement. The consultant will not entitle to any salary and her remuneration will only be linked with the performance of the Business. Detail terms and conditions of the consultancy agreement has not confirmed as at date of this announcement.

### **Consideration**

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

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

- (a) S\$42,500 (equivalent to approximately HK\$231,200) already paid by the Purchaser to the Ichiban Entities (upon signing the 1st Term Sheet) of which the Vendors hereby acknowledges due receipt (the “**Initial Deposit**”);
- (b) S\$300,000 (equivalent to approximately HK\$1,632,000) already paid by the Purchaser to the Ichiban Entities (upon signing the Extended Term Sheet) of which the Vendors hereby acknowledges due receipt (the “**Further Deposit**”); and
- (c) S\$257,500 (equivalent to approximately HK\$1,400,800) to be paid on the Completion Date upon signing the Sale and Purchase Agreement on or before 1st April 2020, or on Completion Date whichever is earlier, or in such other manner the Parties may mutually agree (the “**Balance Consideration**”).

## **Non-competition**

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

## **Completion**

Upon satisfaction of all the conditions precedent of the Sale and Purchase Agreement, the Completion shall take place on 1 April 2020 at IES or at such date and place Parties may mutually agree to.

## **INFORMATION ON THE VENDORS AND BUSINESS**

The Vendors are two private limited companies duly incorporated in Singapore. They are principally engaged in operating the childcare business in Singapore.

As at the date of this announcement, the Business is operated by the Vendors. The Ichiban Entities had a strong customer base throughout 2019. For March 2020, there are total of 111 students, representing utilisation rate of over 82%.

For the two years ended 31 December 2019 and 2018, the total unaudited revenue of the Sale Assets were approximately S\$1,287,000 (equivalent to approximately HK\$7,001,000) and S\$1,344,000 (equivalent to approximately HK\$7,311,000) respectively. The total unaudited loss before and after taxation attributable to the Sale Assets were approximately S\$40,000 (equivalent to approximately HK\$218,000) and S\$153,000 (equivalent to approximately HK\$832,000) respectively.

As at 31 December 2019, the unaudited value of the assets attributable to the Sale Assets was approximately S\$372,000 (equivalent to approximately HK\$2,024,000).

## **REASONS FOR AND BENEFITS OF THE ACQUISITIONS**

The Group is principally engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong and the PRC; (ii) operation of kindergartens in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments; (iv) provision of photographic services; and (v) provision of English learning courses for adult and national accredited vocational education and training courses on early childhood education and care in Australia.

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

Although the total unaudited loss before and after taxation attributable to the Sale Assets were approximately S\$40,000 (equivalent to approximately HK\$218,000) and S\$153,000 (equivalent to approximately HK\$832,000) respectively, the Group expects a synergy effect and a cost saving of at least S\$200,000 (equivalent to approximately HK\$1,088,000) after cutting down the directors' fee and remuneration related to the Sale Assets. As such, the forward profit of the Business is estimated to be around S\$160,000 based on the Latest Profit or Loss Account. The P/E ratio would be around 3.75 times (S\$600,000/S\$160,000), which is within the Company's acceptable range and therefore considered reasonable.

Furthermore, the Business would help to share corporate expenses such as office rental, corporate staff salaries and other administrative expenses to create cost synergy to improve the profitability of this business segment.

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

## **GEM LISTING RULES IMPLICATIONS**

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

## **DEFINITIONS**

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

|               |   |
|---------------|---|
| “Acquisition” | the acquisition of the Sale Assets pursuant to the Sale and Purchase Agreement                                  |
| “Board”       | the board of Directors  |
| “Business”    | the business of operating and managing the childcare centre currently carried on by the Vendors at the Premises |

|                       |   |
|-----------------------|---|
| “Company”             | SDM Group Holdings Limited, a company incorporated under the laws of the Cayman Islands with limited liability and the Shares of which are listed on the GEM  |
| “Completion”          | completion of the acquisition of the Sale Assets in accordance with the terms and conditions of the Sale and Purchase Agreement   |
| “Completion Date”     | 1 April 2020 or such other date to be mutually agreed by the parties to the Sale and Purchase Agreement in writing, subject to MSF/ECDA granting the childcare licence(s) to the Purchaser  |
| “connected person(s)” | has the meaning ascribed to it under the GEM Listing Rules  |
| “Consideration”       | S\$600,000 payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement  |
| “Director(s)”         | director(s) of the Company  |
| “GEM”                 | the GEM of the Stock Exchange   |
| “GEM Listing Rules”   | the Rules Governing the Listing of Securities on GEM  |
| “Group”               | the Company and its subsidiaries  |
| “HK\$”                | Hong Kong dollar, the lawful currency of Hong Kong  |
| “Hong Kong”           | Hong Kong Special Administrative Region of the PRC  |
| “IE”                  | Ichiban Education Pte. Ltd, (UEN: 201528504E), a private limited company duly incorporated in Singapore   |
| “IES”                 | Ichiban Education Services Pte. Ltd. (UEN: 200207692D), a private limited company duly incorporated in Singapore  |
| “INC”                 | Ichiban (Noble) Childcare Pte. Ltd. (UEN: 201430260W), a private limited company duly incorporated in Singapore   |
| “IYC”                 | Ichiban (Yunnan) Childcare Centre (UEN: 53127165W), a sole proprietorship registered in Singapore carrying out the business of providing childcare services for pre-school children and student care services for school-going children |
| “Ichiban Entities”    | INC and IYC   |
| “PRC”                 | the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |

|                               |  |
|-------------------------------|--|
| “Premises”                    | 8 Yunnan Walk, Singapore 638139 (“INC Premises”) and 51 Yunnan Crescent Singapore 638350 (“IYC” Premises)  |
| “Purchaser”                   | SDM-Ichiban Preschool Pte. Ltd. (UEN: 201905714R), a limited liability company registered in Singapore and is a wholly-owned subsidiary of the Company |
| “S\$”                         | Singapore dollars, the lawful currency of Singapore  |
| “Sale Assets”                 | the assets associated with the operation and management of the Business carried on by Vendors at the Premises  |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 1 April 2020 entered into between the Company, the Vendors and the Ichiban Entities                  |
| “Share(s)”                    | ordinary share(s) of HK\$0.10 each in the share capital of the Company   |
| “Shareholder(s)”              | holders of the Shares from time to time  |
| “Stock Exchange”              | The Stock Exchange of Hong Kong Limited  |
| “Vendors”                     | INC and IES  |
| “%”                           | per cent.  |
| “1st Term Sheet”              | the term sheet dated 23 September 2019 entered into between Purchaser and the Vendors  |
| “Extended Term Sheet”         | the term sheet dated 29 February 2020 entered into between Purchaser and the Vendors   |

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

Hong Kong, 1 April 2020



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

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

*This announcement will remain at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page of the GEM website for at least 7 days from the date of its posting and on the Company website at [www.sdm.hk](http://www.sdm.hk).*

*In this announcement, the conversion of S\$ into HK\$ has been made at the rate of S\$1.00=HK\$5.44. Such conversion rate is included in this announcement for indicative purpose only.*