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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 27 October 2020 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Assets at cash consideration of S\$1,200,000 (equivalent to approximately HK\$6,840,000).

**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:** 27 October 2020 (after trading hours)

**Parties:**

- (i) Purchaser: SDM International Investments Pte. Ltd. and/or any of its associate subsidiaries, affiliates, successors or co-investors
- (ii) Vendor: Cherie Hearts @ Eastgate Pte Ltd.

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

### **Assets to be acquired**

The Vendor is currently carrying on the business of operating a childcare and infant care centre under the licensee name of “Cherie Hearts @ Eastgate Pte Ltd” and under the franchised brand of “Cherie Hearts” (the “**Business**”). Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to purchase the following Sale Assets of the Business:

- (i) The current children enrolment and all placement enrolment registered with the Vendor as at the Handover Date;
- (ii) All assets of the Business including furniture, computer equipment and teaching materials;
- (iii) All the student enrolment and placement deposits collected and held by the Vendor in respect of the children continuing with the Purchaser;
- (iv) Exclude the name, curriculums, logo and mark used by the Vendor in the Business;
- (v) The Business as a going concern and absolute free from all encumbrances.

### **Conditions precedent**

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

- (a) Successful establishment of a tenancy agreement between the Purchaser and the landlord of the Business, either as a continuation of the current lease or as a new tenancy agreement under prevailing market condition;
- (b) Both Purchaser and Vendor are obliged to fulfil the conditions that regulated by ECDA as set out in the “Guidelines for Transfer of License — 2019”;
- (c) One of the shareholders of the Vendor is obliged to stay on to facilitate the transition and to assist the suitable candidates stabilize the current daily operations with a minimum period of 12 months after the Handover Date.

## Consideration

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

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

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

- (a) S\$400,000 (equivalent to approximately HK\$2,280,000) to be paid by the Purchaser to the Vendor upon signing of SPA (the "**Tranche 1**");
- (b) S\$600,000 (equivalent to approximately HK\$3,420,000) to be paid by the Purchaser to the Vendor on the Handover Date (the "**Tranche 2**"); and
- (c) S\$200,000 (equivalent to approximately HK\$1,140,000) to be paid on the 12 months after the Handover Date which subject to the fulfilment to the satisfaction of the Purchaser or the waiver by the Purchaser of the condition's precedent set out in the Agreement ("**Completion Date**") (the "**Tranche 3**").

## Non-competition

The Vendor shall not, for a period of 24 months from the Handover Date, establish, setup, takeover or run any childcare centre in any capacity, solely, or jointly with any other person, within a radius of 3km of the Premises without the prior consent of the Purchaser.

## Completion

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

## INFORMATION ON THE VENDOR AND BUSINESS

The Vendor is a private limited companies duly incorporated in Singapore. It is principally engaged in operating the childcare and infant care business in Singapore.

The Vender is one of the franchisees of Cherie Hearts brand and has extensive experience in the childcare education industry. The Business has been operating since 2009. As at the date of this announcement, the Business is operated by the Vendor.

For the two years ended 31 December 2018, 2019 and the eight months ended 31 August 2020, the total unaudited revenue of the Sale Assets were approximately S\$1,257,000 (equivalent to approximately HK\$7,165,000), S\$1,237,000 (equivalent to approximately HK\$7,051,000) and S\$745,000 (equivalent to approximately HK\$4,247,000) respectively. The total unaudited profit before and after taxation attributable to the Sale Assets were approximately S\$183 (equivalent to approximately HK\$1,000), S\$20,000 (equivalent to approximately HK\$114,000) and S\$114,000 (equivalent to approximately HK\$650,000) respectively.

As at 31 December 2018 and 2019, the unaudited value of the assets attributable to the Sale Assets were approximately S\$221,000 (equivalent to approximately HK\$1,260,000) and S\$222,000 (equivalent to approximately HK\$1,265,000) respectively.

## **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; (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 is well established in prime location in Singapore, where the Premise is designated for education purpose by the local government which was unique in such area, 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.

As the Director of the Business did not involve in daily operation, the Group expects a cost saving after cutting down the directors' fee and remuneration related to the Sale Assets. Also, as the Group will put up its own brand and curriculum for the Business, royalty fees paid to Cherie Hearts will be cut down accordingly. The total remuneration, fees and CPF associated with the Director and royalty fees paid to Cherie Hearts for the year 2018, 2019 and eight months up to August 2020 amounted to approximately S\$210,000 (equivalent to approximately HK\$1,197,000), S\$163,000 (equivalent to approximately HK\$929,000) and S\$161,000 (equivalent to approximately HK\$918,000) respectively.

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
“associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Business”	the business of operating and managing the childcare centre currently carried on by the Vendor at the Premise
“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”	12 months after the Handover Date which subject to the fulfilment to the satisfaction of the Purchaser or the waiver by the Purchaser of the condition’s precedent set out in the Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	S\$1,200,000 payable by the Purchaser to the Vendors pursuant to the Sale and Purchase Agreement
“Director(s)”	director(s) of the Company
“ECDA”	the Early Childhood Development Agency of Singapore
“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
“Handover Date”	the effective date that grant by ECDA with relevant licenses to the Purchaser to operate its business as a childcare and infant centre at the Premises
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Premises”	46 East Coast Road, #03-01 to #03-06 Eastgate, Singapore 428766
“Purchaser”	SDM International Investments Pte Ltd. a limited liability company registered in Singapore and is a wholly-owned subsidiary of the Company and/or any of its associate subsidiaries, affiliates, successors or co-investors
“Sale Assets”	the assets associated with the operation and management of the Business carried on by Vendors at the Premises
“S\$”	Singapore dollars, the lawful currency of Singapore
“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
“%”	per cent.

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

Hong Kong, 27 October 2020

*As at the date of this announcement, the executive Directors are Mr. Chiu Ka Lok, Mr. Chun Chi Ngon Richard, the non-executive Directors are Dr. Chun Chun and Ms. Yeung Siu Foon and the independent non-executive Directors are Dr. Hung Siu Ying Patrick, 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\$5.70. Such conversion rate is included in this announcement for indicative purpose only.*