

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



SDM Group Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8363)

**(I) FURTHER SUPPLEMENTAL ANNOUNCEMENT
IN RELATION TO
MAJOR TRANSACTION
DISPOSAL OF 50% ISSUED SHARE CAPITAL IN
SDM ACADEMIE LIMITED
INVOLVING
GRANT OF PUT OPTION WHICH CONSTITUTE
MAJOR TRANSACTION; AND
(II) FURTHER DELAY IN DESPATCH OF CIRCULAR**

BACKGROUND

References are made to the Announcements in relation to, among other things, the Disposal. The Seller, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, at the Consideration of US\$3,000,000 (equivalent to approximately HK\$23,250,000).

GRANT OF PUT OPTION

As disclosed in the Announcements, following the determination of the Audited EBITDA for the Financial Year ending 31 December 2024, if the Adjusted Valuation is less than the Initial Valuation, and the payment equal to 50% of the difference between Initial Valuation and Adjusted Valuation has not been paid by the Seller to the Purchaser, the Purchaser has the Put Option to sell all (but not some only) of the Target Company Shares held by the Purchaser (and its affiliates) to the Seller.

GEM LISTING RULE IMPLICATIONS

Under Rule 19.74(1) of the GEM Listing Rules, as the discretion to exercise the Put Option belongs to the Purchaser, the Put Option, will be classified as if it had been fully exercised at the time of grant. As the applicable percentage ratios (as defined in the GEM Listing Rules) for the grant of Put Option is more than 25% but less than 100%, such grant constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the grant of Put Option. As such, no Shareholders is required to abstain from voting at the general meeting of the Company for approving the grant of Put Option.

As at the date of this announcement, Wealthy Together Limited, being the substantial Shareholder controls 198,750,000 Shares, which represents approximately 51.68% of the total number of issued shares of the Company. Mr. Chiu is the legal and beneficial owner as to 100% shareholding interest in Wealthy Together Limited.

Accordingly, pursuant to Rule 19.44 of the GEM Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company to approve the grant of Put Option upon satisfaction of the conditions set out under Rule 19.44 of the GEM Listing Rules.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As additional time is required to prepare and finalise certain information to be included in the Circular, it is expected that the date of despatch of the Circular will be postponed to a date falling on or before 31 March 2021.

GENERAL

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) further details of the grant of Put Option; and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 31 March 2021.

The Parties are still negotiating on the Long Stop Date. The Company will make further announcement(s) to update the Shareholders and its investors in due course.

The Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the grant of Put Option may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

BACKGROUND

References are made to the announcements of SDM Group Holdings Limited (the “**Company**”) dated 15 December 2020, 7 January 2021, 15 January 2021, 29 January 2021, 5 February 2021, 11 February 2021, 26 February 2021 and 9 March 2021 in relation to, among other things, the Disposal (the “**Announcements**”). Unless otherwise stated, capitalised terms used herein shall have the same meaning as those defined in the Announcements.

The Seller, the Purchaser and the Company entered into the Sale and Purchase Agreement, pursuant to which the Seller conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares, at the Consideration of US\$3,000,000 (equivalent to approximately HK\$23,250,000).

GRANT OF PUT OPTION

As disclosed in the Announcements, following the determination of the Audited EBITDA for the Financial Year ending 31 December 2024, if the Adjusted Valuation is less than the Initial Valuation, and the payment equal to 50% of the difference between Initial Valuation and Adjusted Valuation has not been paid by the Seller to the Purchaser, the Purchaser has the Put Option to sell all (but not some only) of the Target Company Shares held by the Purchaser (and its affiliates) to the Seller by giving a Put Notice to the Seller. For avoidance of any doubt, any exercising of the Put Option shall be in compliance with the GEM Listing Rules and all relevant regulatory regime by the Seller.

Consideration

Subject to the Shareholders Agreement, on the Put Completion Date, the Seller shall pay to the Purchaser, an aggregate amount equal to the sum of:

- (i) US\$3,000,000 (equivalent to approximately HK\$23,250,000) plus interest at a compounded rate of at 8% per annum (calculated on a daily basis) on such US\$3,000,000 (equivalent to approximately HK\$23,250,000) for the period from the date of Completion under the Sale and Purchase Agreement to the Put Completion Date; and
- (ii) the amount of the Purchaser Additional Funding plus interest at a compounded rate of at 8% per annum (calculated on a daily basis) on such amount of the Purchaser Additional Funding for the period from the payment date of the Purchaser Additional Funding to the Put Completion Date.

The above consideration is arrived after arm’s length negotiation between the Purchaser, the Seller and the Company. The compound interest rates of 8% per annum (calculated on a daily basis) was determined with reference to the interest rate of the previous bonds and convertible notes with 10% per annum and 8% per annum issued by the Company. The Directors are of the view that the grant of Put Option is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

The completion of the sale of the Put Shares shall be the date which is five Business Days after the date of service of the Put Notice (or such other date as the Purchaser and the Seller may agree).

On the Put Completion Date, the Seller shall buy and the Purchaser shall sell the Put Shares with the consideration mentioned above. The Purchaser shall deliver to the Seller a duly executed instrument of transfer and sold note in favour of the Seller and shall deliver to the Target Company share certificates representing all of the Put Shares.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in BVI with limited liability and is an investment holding company. Mr. Chen Kam Tai is the ultimate beneficial owner of the Purchaser. Please refer to the announcement of the Company dated 9 March 2021 (the “**Supplemental Announcement**”) for further details of the Purchaser.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in operation of jazz and ballet academy. Please refer to the Supplemental Announcement for further details of the Target Company.

Set out below is a summary of the financial information of the Target Company as extracted from the audited financial statements for the years ended 31 December 2018 and 31 December 2019 prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

	For the year ended 31 December 2018 (Audited) HK\$'000 <i>Approximately</i>	For the year ended 31 December 2019 (Audited) HK\$'000 <i>Approximately</i>
Revenue	61,430	66,865
Profit/(loss) before taxation	(11,028)	1,867
Profit/(loss) after taxation	(11,028)	1,928
Net liabilities	20,289	18,361

REASONS FOR AND BENEFITS OF THE GRANT OF PUT OPTION

The Group is principally engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong; (ii) operation of kindergartens and preschool in Hong Kong and Singapore; (iii) provision of swallowing and speech treatments in Hong Kong; (iv) provision of photographic services for children in Hong Kong; 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.

The Put Option will only be exercised when the financial performance of the Target Company does not perform as expected. It acts as an incentive for the Group to achieve the Adjusted Valuation within four years until 2024. Also, The Directors consider that the Put Option will represent a chance for the Purchaser to dispose of and the Company to repurchase and hold the entire equity interests in the Target Company.

In light of the above, the Directors consider that the grant of Put Option is fair and reasonable and on normal commercial terms and is in the interests of the Company and Shareholders as a whole.

GEM LISTING RULE IMPLICATIONS

Under Rule 19.74(1) of the GEM Listing Rules, as the discretion to exercise the Put Option belongs to the Purchaser, the Put Option, will be classified as if it had been fully exercised at the time of grant. As the applicable percentage ratios (as defined in the GEM Listing Rules) for the grant of Put Option is more than 25% but less than 100%, such grant constitutes a major transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the grant of Put Option. As such, no Shareholders is required to abstain from voting at the general meeting of the Company for approving the grant of Put Option.

As at the date of this announcement, Wealthy Together Limited, being the substantial Shareholder controls 198,750,000 Shares, which represents approximately 51.68% of the total number of issued shares of the Company. Mr. Chiu is the legal and beneficial owner as to 100% shareholding interest in Wealthy Together Limited.

Accordingly, pursuant to Rule 19.44 of the GEM Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company to approve the grant of Put Option upon satisfaction of the conditions set out under Rule 19.44 of the GEM Listing Rules.

FURTHER DELAY IN DESPATCH OF CIRCULAR

As disclosed in the Announcements, a circular (the "**Circular**") containing, among other things, further details of the Sale and Purchase Agreement and the transactions contemplated thereunder and other information as required under the GEM Listing Rules was expected to be despatched by the Company to the Shareholders on or before 12 March 2021.

As additional time is required to prepare and finalise certain information to be included in the Circular, it is expected that the date of despatch of the Circular will be postponed to a date falling on or before 31 March 2021.

GENERAL

A circular containing, among other things, (i) further details of the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) further details of the grant of Put Option; and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 31 March 2021.

The Parties are still negotiating on the Long Stop Date. The Company will make further announcement(s) to update the Shareholders and its investors in due course.

The Completion is subject to the fulfillment of the conditions precedent set out in the Sale and Purchase Agreement and therefore the grant of Put Option may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 17 March 2021

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 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 on the “Latest Listed Company Information” 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.