



SDM Education Group  
Holdings Limited

(Incorporated in the Cayman Islands with limited liability)  
(Stock Code: 8363)

**2023**  
**FIRST**  
**QUARTERLY**  
**REPORT**

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED  
(THE "STOCK EXCHANGE")**

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*This report, for which the directors (the "**Directors**") of SDM EDUCATION GROUP HOLDINGS LIMITED (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (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 report 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 report misleading.*

## FINANCIAL HIGHLIGHTS

For the three months ended 31 March 2023, unaudited results of the Company together with its subsidiaries (the “**Group**”) were as follows:

- revenue of the Group for the three months ended 31 March 2023 was approximately HK\$44.9 million (2022: HK\$20.5 million);
- Loss for the period attributable to the shareholders of the Company for the three months ended 31 March 2023 amounted to approximately HK\$1 million (loss of approximately HK\$13.1 million for the corresponding period last year); and
- basic loss per share for the three months ended 31 March 2023 was approximately 0.16 HK cents (2022: loss per share of approximately 2.87 HK cents).

## CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The board of Directors (the “Board”) of the Company (together with its subsidiaries, the “Group”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2023, together with the unaudited comparative figures for the corresponding period in 2022, as follows:

### CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2023

	Notes	For the three months ended 31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue	4	<b>44,980</b>	20,501
Other income		<b>13,355</b>	9,505
Other net gains and losses		<b>82</b>	—
Changes in inventories of finished goods		<b>19</b>	154
Finished goods purchased		<b>(2,921)</b>	(1,207)
Advertising and promotion expenses		<b>(1,373)</b>	(677)
Depreciation and amortisation		<b>(13,189)</b>	(11,477)
Staff and teaching consultants services costs		<b>(29,221)</b>	(19,955)
Other expenses		<b>(10,648)</b>	(6,733)
Finance costs	5	<b>(1,365)</b>	(3,088)
Share of results of an associate		<b>93</b>	(49)
Share of results of joint ventures		<b>(335)</b>	(437)
Loss before taxation		<b>(523)</b>	(13,463)
Income tax credit	6	<b>217</b>	197
Loss for the period		<b>(306)</b>	(13,266)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations (nil tax effect)		<b>(3,313)</b>	(938)
Loss and total comprehensive loss for the period		<b>(3,619)</b>	(14,204)

## CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the three months ended 31 March 2023

	Notes	For the three months ended 31 March	
		2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
<b>(Loss)/profit for the period attributable to:</b>			
Equity shareholders of the Company		<b>(820)</b>	(13,132)
Non-controlling interests		<b>514</b>	(134)
		<b>(306)</b>	(13,266)
Total comprehensive (loss)/income attributable to:			
Equity Shareholders of the Company		<b>(4,133)</b>	(14,070)
Non-controlling interests		<b>514</b>	(134)
		<b>(3,619)</b>	(14,204)
Loss per share:		<b>HK cents</b>	HK cents
Basic and diluted	7	<b>(0.16)</b>	(2.87)

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2023

### 1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Companies Law on 12 February 2014 and its shares are listed on GEM of the Stock Exchange on 14 October 2014. Its parent is Wealthy Together Limited ("**Wealthy Together**") (incorporated in the British Virgin Islands ("**BVI**")). Its ultimate controlling party is Mr. Chiu Ka Lok, the controlling shareholder (the "**Controlling Shareholder**"), who is also the Chairman and Executive Director of the Company. The addresses of the Company's registered office and principal place of business are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and Room 202B, 2/F., Liven House, 61-63 King Yip Street, Kwun Tong, Kowloon, Hong Kong respectively.

The Company is an investment holding company and its principal subsidiaries are mainly engaged in (i) business of jazz and ballet and pop dance academy in Hong Kong; (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.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statement for the three months ended 31 March 2023 has been prepared in accordance with the Hong Kong Accounting Standards ("**HKAS**") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certificate Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**").

The unaudited condensed consolidated financial statement have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the ended of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for good and services.

### 3. APPLICATION OF NEW AND REVISED HKFRSs

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting period beginning on 1 January 2023. HKFRSs comprise HKFRS and HKAS and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable for goods sold and services provided by the Group to outside customers, less discount during relevant periods. The Group's operation is derived from jazz and ballet and pop dance academy in Hong Kong, early childhood education in Hong Kong and Singapore during the current period. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) has reviewed the overall results and financial position of the Group as a whole. Specifically, the Group's reportable segments under HKFRS 8 are as follows:

Dance academy business — jazz and ballet and pop dance academy in Hong Kong.

Early childhood education business — operation of kindergartens and pre-schools in Hong Kong and Singapore.

Other operating segments include operation of the provision of swallowing and speech treatments and provision of photographic services in Hong Kong. None of these segments met the quantitative thresholds for the reportable segments. Accordingly, these were grouped in "Others".

#### 4. REVENUE AND SEGMENT INFORMATION (CONTINUED)

The following is an analysis of the Group's revenue:

	For the three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Dance academy business	16,345	2,606
Early childhood education business	26,009	15,452
Others		
— provision of swallowing and speech treatments	1,540	1,545
— provision of photographic services	1,086	898
	<b>44,980</b>	20,501

#### Geographical Information

The Group's operations during the current period are located in Hong Kong and Singapore.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	For the three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Hong Kong	22,240	6,009
Singapore	22,740	14,492
	<b>44,980</b>	20,501

#### Information about major customer

No individual customer was accounted for over 10% of the Group's total revenue for both periods.



## 5. FINANCE COSTS

	For the three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Interest on borrowings	475	992
Interest on lease liabilities	890	2,096
	<b>1,365</b>	<b>3,088</b>

## 6. INCOME TAX CREDIT

	For the three months ended 31 March	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Hong Kong Profit Tax		
— Current tax	—	—
Singapore corporate income tax (“CIT”)		
— Current year	—	—
Deferred tax	217	197
	<b>217</b>	<b>197</b>

The provision for Hong Kong Profits Tax for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

**6. INCOME TAX CREDIT (CONTINUED)**

Singapore CIT is calculated at 17% (2022: 17%) of the estimated assessable profit eligible for CIT rebate of 20% capped at S\$10,000. Singapore incorporated companies can also enjoy 75% tax exemption on the first S\$10,000 of normal chargeable income and a further 50% tax exemption on the next S\$290,000 of normal chargeable income. The Singapore companies which meet the qualifying condition as start-up companies can enjoy 100% tax exemption on the first S\$100,000 of normal chargeable income and a further 50% tax exemption on the next S\$200,000 of normal chargeable income at the relevant years of assessment.

**7. LOSS PER SHARE**

The calculation of basic loss per share attributable to shareholders of the Company is based on the loss for the period attributable to shareholders of the Company of approximately HK\$820,000 (2022: loss for the period attributable to shareholders of the Company of approximately HK\$13,132,000) and the weighted average number of ordinary shares of 505,902,222 (2022: 457,600,000) in issue during the period.

**Diluted (loss)/earning per share**

No diluted (loss)/earning per share had been presented for the three months ended 31 March 2023 and 31 March 2022 since there were no potential ordinary shares in issue during the periods.

**8. DIVIDENDS**

No dividend was paid or proposed during the three months ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (for the three months ended 31 March 2022: Nil).

## 9. RESERVES

	Issued share capital	Share premium	Exchange reserve	Fair value reserve	Share options reserve	Other reserve	Accumulated profits (losses)	Total	Non- Controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022 (audited)	45,760	158,522	(204)	31,566	14,842	(13,669)	(463,631)	(226,814)	8,624	(218,190)
Loss for the period	—	—	—	—	—	—	(13,132)	(13,132)	(134)	(13,266)
Other comprehensive loss	—	—	(938)	—	—	—	—	(938)	—	(938)
Loss and total comprehensive loss for the period	—	—	(938)	—	—	—	(13,132)	(14,070)	(134)	(14,204)
At 31 March 2022 (unaudited)	45,760	158,522	(1,142)	31,566	14,842	(13,669)	(476,763)	(240,884)	8,490	(232,394)
At 1 January 2023 (audited)	<b>45,760</b>	<b>158,522</b>	<b>7,091</b>	<b>42,703</b>	<b>6,191</b>	<b>(13,669)</b>	<b>(491,620)</b>	<b>(245,022)</b>	<b>7,698</b>	<b>(237,324)</b>
Loss for the period	—	—	—	—	—	—	(820)	(820)	514	(306)
Other comprehensive loss	—	—	(3,313)	—	—	—	—	(3,313)	—	(3,313)
Loss and total comprehensive loss for the period	—	—	(3,313)	—	—	—	(820)	(4,133)	514	(3,619)
Issue of new Shares (Note)	<b>22,880</b>	—	—	—	—	—	—	<b>22,880</b>	—	<b>22,880</b>
Lapse of share options	—	—	—	—	(1,875)	—	<b>1,875</b>	—	—	—
At 31 March 2023 (unaudited)	<b>68,640</b>	<b>158,522</b>	<b>3,778</b>	<b>42,703</b>	<b>4,316</b>	<b>(13,669)</b>	<b>(490,565)</b>	<b>(226,275)</b>	<b>8,212</b>	<b>(218,063)</b>

Note: On 13 March 2023, 228,800,000 shares of the Company were allotted and issued pursuant to the right issue on the basis of one right share for every two existing shares held on the record date (as detailed in the prospectus of the Company dated 17 February 2023 and the announcement of the Company dated 10 March 2023). The issued share capital of the Company increased to HK\$68,640,000 divided into 686,400,000 shares since then.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Introduction

The Group is one of the largest dance institutions for children in Hong Kong and operates under the brand of “SDM Jazz & Ballet Academie” (SDM爵士芭蕾舞學院) which has established goodwill and gained brand recognition in Hong Kong. The shares of the Company were successfully listed on GEM of the Stock Exchange on 14 October 2014 (the “Listing”). In the recent years, the Company has expedited its expansion into education markets in Singapore and Australia.

During the three months ended 31 March 2023 (the “Reporting Period”), the Group had 23 wholly-owned dance centres, one kindergarten in Hong Kong and 14 pre-schools in Singapore. Besides offering wide range of dance courses for children generally between the age of 2 and 16, the Group also develops operations of day care centres, kindergartens and enrichment courses in Singapore. The vision of the Group is to provide social and life experience to children at a young age through their participation in dance courses and pre-school activities, thereby nurturing their social interaction skills and confidence.

### Business Review

#### *Hong Kong*

The Group continues focusing on engaging in business of jazz and ballet and pop dance academy in Hong Kong and early childhood education business in Hong Kong and Singapore. During the year under review, competition in the dance institution industry for children in Hong Kong was intense. 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.

Due to the pandemic of COVID-19, all the dance centres of the Group have been closed since January 2022 in order to comply with HKSAR government’s anti-epidemic regulations and measures. The dance centres were re-opened in April 2022 and the operations resumed back to normal since then. Therefore, the revenue from this segment increased significantly for the Reporting Period.

#### *Singapore*

The performance of the Group’s pre-schools in Singapore has been improving gradually since 2021. As at 31 March 2023, the number of enrollment was approximately 1,000 out of total capacity of approximately 1,560, representing utilization rate of 63% (31 March 2022: 1,000 out of 1,665, representing utilization rate of 60%). The Group is confident that utilization rate will increase steadily in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Financial Review

Revenue of the Group for the Reporting Period was mainly contributed by (i) dance academy business in Hong Kong (the “**Dance Academy Business**”) and (ii) early childhood education business in Hong Kong and Singapore (the “**Early Childhood Education Business**”). Total revenue increased by approximately HK\$24.4 million from approximately HK\$20.5 million for the corresponding period in 2022 to approximately HK\$44.9 million for the Reporting Period. The increase was mainly due to the increase in revenue from Dance Academy Business by approximately HK\$13.7 million as mentioned under “Business Review”.

Other income of the Group was approximately HK\$13.3 million (2022: HK\$9.5 million). Other income of the Group mainly comprises the management fee income, franchise fee income, sub-lease rental income, examination handling income, government grants and rent concessions.

Staff and teaching consultants services costs amounted to approximately HK\$29.2 million during the Reporting Period (2022: approximately HK\$20.0 million), representing an increase by approximately 46%. Other operating expenses of the Group was approximately HK\$10.6 million during the Reporting Period (2022: approximately HK\$6.7 million). The increase was mainly due to increase in legal and professional fee.

The Group recorded a loss attributable to owners of the Company for the Reporting Period of approximately HK\$0.8 million as compared to a loss of approximately HK\$13.1 million for the corresponding period of last year. The loss decrease was mainly due to the increase in revenue from Dance Academy Business as mentioned above.

### Potential Settlement of Convertible Note

Reference is made to the announcements of the Company dated 27 December 2018, 12 February 2019 and 14 April 2022.

On 11 January 2022, SDM Asia Limited, the wholly-owned subsidiary of the Company, being the issuer (the “**Issuer**”) of the convertible note in the principal amount of US\$25 million (the “**Convertible Note**”), and the Company received the letter from the legal adviser of the noteholder of the Convertible Note (the “**Noteholder**”), requesting to redeem the Convertible Note upon certain events of default (the “**EOD Redemption Notice**”). After consulting the legal adviser of the Group, the Issuer and the Company jointly issued a letter to the Noteholder, pursuant to which the Group reiterated its view that no events of default had occurred.

On 23 February 2022, a purported deed of appointment of receivers of the security documents related to the Convertible Note was alleged to have been executed by the Noteholder. The Noteholder attempted to appoint two receivers (the “**Receivers**”) to take over the Company’s rights and interest in the shares of the Issuer. After consulting legal advice from the legal adviser of the Group, the Company issued a letter to the Issuer’s register agent reaffirming that no events of default had occurred and the purported appointment of Receivers was therefore invalid.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### Potential Settlement of Convertible Note (CONTINUED)

According to the terms of Subscription Agreement, the maturity date of the Convertible Note with face value of US\$25 million was 31 March 2023. As disclosed in the Company's announcement dated 14 April 2022, the Company has been discussing with the Noteholder to explore the possibility of settlement of the Convertible Note since 2022. As of the date of this report, the Issuer, the Company and the Noteholder reached a consensus to extend the repayment date of the indebtedness under the Convertible Note by installments. On 5 April 2023, the Company remitted US\$2 million (equivalent to approximately HK\$15.6 million) to the Noteholder for partial repayment.

As of the date of this report, the Company is still discussing with the Noteholder to finalise the terms of the settlement agreement, which has yet been entered into among the Issuer, the Company and the Noteholder. The Company will make further announcements in relation to the settlement as and when it is required under the relevant GEM Listing Rules.

### Capital Structure

As at 31 March 2023 and 2022, the authorised share capital of the Company was HK\$800,000,000, divided into 8,000,000,000 shares of HK\$0.1 each (the "**Shares**").

As at 31 March 2022, the issued share capital of the Company was HK\$45,760,000, divided into 457,600,000 shares of HK\$0.1 each.

On 13 March 2023, 228,800,000 shares of the Company were allotted and issued pursuant to the right issue on the basis of one right share for every two existing shares held on the record date (as detailed in the prospectus of the Company dated 17 February 2023 and the announcement of the Company dated 10 March 2023) (the "**Right Issue**"). The issued share capital of the Company increased to HK\$68,640,000 divided into 686,400,000 shares since then.

As at 31 March 2023, the Group had outstanding convertible notes with carrying amount of approximately HK\$281.2 million (2022: HK\$281.8 million). The convertible note with face value of US\$25 million (equivalent to approximately HK\$195 million) carries interest at 8% per annum and matured on 31 March 2023. The convertible note with face value of approximately USD5.85 million (equivalent to approximately HK\$46 million) carries interest at 8% per annum and will mature on 30 April 2024. The repayment of the convertible notes with face value of US\$25 million is guaranteed by the Company.

### Charge on Group's Assets

As at 31 March 2023 and 2022, the entire shares in SDM Asia Limited and SDM Australian Education Limited held by the Group were pledged as securities for the two convertible notes of which the details are mentioned under the section "Capital Structure" as above.

### **MATERIAL ACQUISITIONS**

No material acquisitions were taken place during the Reporting Period.

### **SIGNIFICANT INVESTMENTS**

As at 31 March 2023 and 2022, there was no significant investment held by the Group.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Looking forward, the Group will endeavor to strengthen its position in the dance institution industry in Hong Kong and overseas markets. The Board is still looking for other investment opportunities aiming at exploring the feasibility of further expansion in dance institution business including but not limited to, the dance institution industry in Asia.

The Group has been proactive in seeking appropriate investment opportunities to expand its business scope and to diversify its existing business. The Group officially stepped foot on the mainstream education market overseas through its proposed acquisition of several pre-schools in Singapore since 2018 and education business in Australia since 2019.

The acquisitions are in line with the business development plan and expansion plan of the Group. The Board believes that the acquisition provides an excellent development platform and opportunity to expand its early childhood education business into international markets. The Group's core business — jazz and ballet and pop dance academy can generate synergies with mainstream education to expand its business into the overseas market and enhance the competitiveness of the Group. The Board believes that the acquisition provides a excellent investment opportunity for the Group to further establish its position in education and related businesses.

The Group will continue searching for suitable opportunities to expand its business into Hong Kong, Mainland China and overseas markets.

### **CONTINGENT LIABILITIES**

As at 31 March 2023 and 2022, the Group did not have any significant contingent liabilities.

### **MATERIAL EVENTS AFTER THE REPORTING DATE**

There are no material events after the Reporting Period.

**OTHER INFORMATION****Disclosure of Interests****(a) Directors' and Chief executive's interests in Shares**

As at 31 March 2023, the interests or short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

*Long positions in the Shares of the Company*

Name of Directors and chief executive	Nature of interest/ holding capacity	Number of ordinary shares held	Number of underlying shares held	Percentage of interest in the Company's issued share capital (Note 1)
Mr. Chiu Ka Lok ("Mr. Chiu")	Interest of a controlled corporation, beneficial owner and family interest	418,125,000 (Note 2)	—	60.92%
Dr. Chun Chun	Beneficial owner and family interest	418,125,000 (Note 3)	—	60.92%

## Notes:

- As at 31 March 2023, the total issued share capital of the Company was HK\$68,640,000 divided into 686,400,000 Shares of HK\$0.1 each.
- Wealthy Together, is wholly and beneficially owned by Mr. Chiu, an executive Director and the Chairman of the Company. Mr. Chiu is deemed to be interested in 298,125,000 Shares held by Wealthy Together by virtue of his 100% shareholding interest in Wealthy Together. Mr. Chiu Ka Lok beneficially owned 46,500,000 Shares and Dr. Chun Chun, being the spouse of Mr. Chiu Ka Lok, beneficially owned 73,500,000 Shares. By virtue of the SFO, Mr. Chiu Ka Lok is deemed to be interested in 418,125,000 Shares.
- Dr. Chun Chun, an executive Director, is the spouse of Mr. Chiu and is therefore deemed to be interested in all the shares held/owned by Mr. Chiu (by himself or through Wealthy Together) by virtue of the SFO.



**OTHER INFORMATION (CONTINUED)****Disclosure of Interests (Continued)****(a) Directors' and Chief executive's interests in Shares (Continued)***Long positions in the Shares of the Company (Continued)*

Save as disclosed above, as at 31 March 2023, none of the Directors nor chief executives of the Company had or was deemed to have any other interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

**(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares of the Company**

So far as is known to the Directors, as at 31 March 2023, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions (directly or indirectly) in the Shares or underlying Shares of the Company that would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

*Long positions in the Shares of the Company*

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of interests in the Company's issued share capital (Note 2)
Wealthy Together	Beneficial owner	298,125,000 (Note 1)	43.43%
Hui Pui Cheung	Beneficial owner	39,980,000	5.82%
Chance Wise Investments Limited	Interest of a controlled corporation	77,296,629	11.26%

**OTHER INFORMATION (CONTINUED)****Disclosure of Interests (Continued)****(b) Substantial shareholders' and other persons' interests and short positions in Shares and underlying Shares of the Company (Continued)***Long positions in the Shares of the Company (Continued)*

Name of Shareholder	Nature of interest/ holding capacity	Number of shares	Percentage of interests in the Company's issued share capital (Note 2)
Fok Yuk Tong	Interest of a controlled corporation	77,296,629	11.26%
Hsieh Ching Chun	Interest of a controlled corporation	77,296,629	11.26%
Pacific Foundation Securities Limited	Beneficial owner	77,296,629	11.26%
PF Group Holdings Limited	Interest of a controlled corporation	77,296,629	11.26%

Notes:

- (1) Wealthy Together is beneficially and wholly owned by Mr. Chiu, an executive Director and the Chairman of the Company. By virtue of the SFO, Mr. Chiu is deemed to be interested in the shares held by Wealthy Together.
- (2) As at 31 March 2023, the total issued share capital of the Company was HK\$68,640,000 divided into 686,400,000 Shares of HK\$0.1 each.

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any other persons (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interest or short positions in the Shares or underlying Shares of the Company would fall to be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was conditionally adopted by a written resolutions of the Shareholders on 26 September 2014, and is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognize and acknowledge the contribution of the Directors, other employees and other eligible participants who have made valuable contribution to the Group.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the total number of shares in issue immediately following the completion of the offering for the listing of the Shares of the Company (i.e. 20,000,000) (the "**Scheme Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating the Scheme Limit.

The Company may renew the Scheme Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme under the limit as refreshed must not exceed 10% of the shares in issue as at the date of the Shareholders' approval of the renewed limit.

A Company's circular dated 6 May 2019 was sent to shareholders by the Company in relation to "Proposal for Refreshment of Share Option Scheme Mandate Limit and Notice of Extraordinary General Meeting" (the "**May Circular**"). Pursuant to the May Circular, the Company proposes to seek the approval of the Shareholders to approve the Refreshment (as defined in the May Circular) so that the total number of Shares (as defined in the May Circular) which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 35,410,000 Shares, representing 10% of the Shares in issue as at the date of approval of the Refreshment by the Shareholders at the Latest Practicable Date (as defined in the May Circular), assuming that the number of Shares in issue remains unchanged prior to the date of the extraordinary general meeting to be held by the Company on 27 May 2019 (the "**2019 May EGM**"). The Refreshment is approved by the Shareholders at the 2019 May EGM.

The Company issued another circular dated 18 December 2019 to the Shareholders in relation to "Proposal for Refreshment of Share Option Scheme Mandate Limit and Notice of Extraordinary General Meeting" (the "**December Circular**"). Pursuant to the December Circular, the Company proposes to seek the approval of the Shareholders to approve the Refreshment (as defined in the December Circular) so that the total number of Shares (as defined in the December Circular) which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not exceed 35,410,000 Shares, representing 10% of the Shares in issue as at the date of approval of the Refreshment by the Shareholders on 13 December 2019, assuming that the number of Shares in issue remains unchanged prior to the date of the extraordinary general meeting to be held by the Company on 10 January 2020 (the "**2020 January EGM**"). The Refreshment is approved by the Shareholders at the 2020 January EGM.

**SHARE OPTION SCHEME (CONTINUED)**

Pursuant to the 2020 January EGM, the Company granted 6,380,000 share options (one share for each option) at an exercise price of HK\$1.20 per share on 11 February 2020, 2,300,000 share options (one share for each option) at an exercise price of HK\$1.44 per share on 25 February 2020 and 26,730,000 share options at HK\$0.40 per share on 15 June 2021 to certain eligible participants, subject to the acceptance of the grantees, under the Share Option Scheme adopted by the Company on 26 September 2014, details of which are set out in the Company's announcements dated 11 February 2020, 25 February 2020 and 15 June 2021.

As at 31 March 2023, the Company had 27,325,892 outstanding share options under the Share Option Scheme carrying rights for the holders thereof to subscribe for an aggregate of 27,325,892 new Shares, details of movements of which are set out below:

Date of grant	Owners/ Grantees	Number of share options						Adjustment on Rights Issue during the period*	At 31 March 2023	Exercise period	Exercise Price HK\$
		At 1 January 2023	Granted	Exercised	Lapsed	Cancelled					
11 February 2020	<b>Employees</b>	680,000	—	—	(680,000)	—	—	—	11 February 2020 to 10 February 2023	1.20	
25 February 2020	<b>Employee</b>	300,000	—	—	(300,000)	—	—	—	1 January 2023 to 24 February 2023	1.44	
	<b>Consultants</b>	2,000,000	—	—	(2,000,000)	—	—	—	1 January 2023 to 24 February 2023	1.44	
15 June 2021	<b>Employees</b>	15,192,000	—	—	—	—	338,675	15,530,675	15 June 2021 to 14 June 2024	0.391	
	<b>Supplier</b>	3,846,000	—	—	—	—	85,739	3,931,739	15 June 2021 to 14 June 2024	0.391	
	<b>Business partner</b>	7,692,000	—	—	—	—	171,478	7,863,478	15 June 2021 to 14 June 2024	0.391	
		29,710,000	—	—	(2,980,000)	—	595,892	27,325,892			

\* As a result of Rights Issue, adjustments were made to the exercise price of and the number of the outstanding share options under the Share Option Scheme with effect from 13 March 2023.

The total number of Shares available for issue under the Share Option Scheme is 41,110,000, which represented 5.99% of 686,400,000 Share in issue of the Company as at the date of this report.

## COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors or the controlling shareholder of the Company or any of their respective associates (as defined in the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group during the Reporting Period.

## NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Company has undertaken to the Company in the deed of non-competition (the “**Deed of Non-Competition**”) that it/he will not, and procure its/his associates (other than members of our Group) not to directly or indirectly be involved in or undertake any business that directly or indirectly competes, or may compete, with the Group’s business or undertaking, or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the controlling shareholders hold less than 5% of the total issued share capital of any company (whose shares are listed on the Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group.

For the year ended 31 December 2022, the Company has received an annual written confirmation from each controlling shareholder of the Company in respect of its/his and its/his associates’ compliance with the Deed of Non-Competition. The independent non-executive Directors have also reviewed and were satisfied that each of the controlling shareholders of the Company had complied with the Deed of Non-Competition.

## CODE OF CORPORATE GOVERNANCE PRACTICES

The Company endeavors to adopt prevailing best corporate governance practices. For the three months ended 31 March 2023, the Company had complied with all the code provisions set out in the Corporate Governance Code as contained in Appendix 15 of the GEM Listing Rules and there has been no deviation in relation thereto.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Code of Conduct**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Required Standard Dealings**”). The Company had also made specific enquiry of all the Directors and each of them was in compliance with the Code of Conduct and Required Standard Dealings during the Reporting Period. Further, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors for the three months ended 31 March 2023.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

### **AUDIT COMMITTEE**

The financial information in this report has not been audited by the auditor of the Company. The Company's audit committee (the "**Audit Committee**"), comprising Dr. Kao Ping Suen and Mr. Chak Chi Shing, being the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the three months ended 31 March 2023. There were no disagreements within the Audit Committee in relation to the accounting treatments adopted by the Company.

### **BOARD OF DIRECTORS**

As at the date of this report, the Board comprises Mr. Chiu Ka Lok (Chairman) and Mr. Chun Chi Ngon Richard (Chief Executive Officer) and Dr. Chun Chun, as the executive Directors, Ms. Yeung Siu Foon, as the non-executive Director, and Dr. Kao Ping Suen and Mr. Chak Chi Shing, as the independent non-executive Directors.

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

Hong Kong, 15 May 2023