

**SDM GROUP HOLDINGS LTD:  
STAND BY FOR THE FINANCIAL DECAY**

There appear to be at least three anomalous aspects in respect of the Placing Prospectus of SDM Group Holdings Ltd (Code: 8363, The **G**rowth **E**nterprise **M**arket [The **GEM**] of The Stock Exchange of Hongkong Ltd):

1. The Executive and Non-Executive Directors shall not be paid any Directors' Fees;
2. The Underwriters – Pacific Foundation Securities Ltd () and CMB International Capital Ltd () – shall be paid a commission of 4.67 percent in respect of the \$HK1.50 Placing Price of the 50 million Shares plus other expenses in relation to the flotation: \$19.00 million; and,
3. The Net Profit Attributable to Shareholders with regard to the Current Financial Year, ending December 31, 2014, shall be considerably less than that of the 2013 Financial Year.

SDM Group published its Placing Prospectus on September 30, 2014, in which it was stated that the 50 million, 10-cent Shares to be Placed comprised 29.25 million New Shares and 20.75 million Sale Shares.

The Selling Shareholder is Wealthy Together Ltd, a company, domiciled in the **British Virgin Islands (BVI)** and wholly owned by Mr Chiu Ka Lok (), the Executive Chairman and Founder of the Company.

Mr Chiu Ka Lok, according to the calculations of **TARGET** (), will be receiving about \$HK31,125,000 on the sales of his shares, minus about \$HK1.45 million, being the Underwriters' Commission at the rate of 4.67 percent.

SDM Group will be receiving, net of expenses, about \$HK26.10 million from the sales of its 29.25 million New Shares, all of which have been Placed '*to a total of 120 selected individual, professional and institutional investors*', according to a Company announcement, dated Monday, October 13, 2014.

The announcement stated, in respect of the usage of the net proceeds of the Share Placements:

<i>'Use of net proceeds</i>		<i>Amount of net proceeds (HK\$ million)</i>
(a)	<i>Expansion of network by opening and/or acquiring new centres close to populated residential areas in Hong Kong</i>	10.8
(b)	<i>Brand building, marketing and promotion</i>	2.5
(c)	<i>Enchantment of existing centre facilities, inventory, I.T., logistic and administrative services</i>	2.5
(d)	<i>Repayment of bank loan</i>	10.0
(e)	<i>General working capital</i>	0.3'

**The History and Business**

SDM Group is said to be the largest dance institution for children in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

It was founded, according to Page 58 of the Placing Prospectus, in 2006 when Mr Chiu Ka Lok founded SDM Jazz and Ballet Academie Company Ltd in the HKSAR. He had some help from passive investors, the Placing Prospectus states.

Prior to the founding of SDM Jazz and Ballet Academie, Mr Chiu Ka Lok '*was involved in the education software industry where he gained insight and experience to establish and develop his dance institution business.*'.

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