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## **SK TARGET GROUP LIMITED**

### **瑞強集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8427)**

## **ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 AUGUST 2017**

### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE “GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of SK Target Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the 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 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.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 August 2017 together with the unaudited comparative figures for the corresponding period in 2016 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)**

*For the three months ended 31 August 2017*

		<b>Three months ended</b>	
		<b>31 August</b>	
	<i>Note</i>	<b>2017</b>	2016
		<b>RM'000</b>	RM'000
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>7,498</b>	8,856
Cost of sales		<b>(5,226)</b>	(6,022)
		<hr/>	<hr/>
Gross profit		<b>2,272</b>	2,834
Other income		<b>51</b>	48
Administrative expenses		<b>(1,376)</b>	(474)
Selling and distribution expenses		<b>(287)</b>	(317)
Listing expenses		<b>(1,574)</b>	–
Finance costs	4	<b>(10)</b>	(15)
Fair value change of financial assets at fair value through profit or loss		<b>–</b>	13
		<hr/>	<hr/>
(Loss)/Profit before taxation		<b>(924)</b>	2,089
Taxation	5	<b>(334)</b>	(525)
		<hr/>	<hr/>
(Loss)/Profit and total comprehensive (loss)/income for the period	6	<b>(1,258)</b>	1,564
(Loss)/Earnings per share			
— Basic ( <i>RM cents</i> )	8	<b>(0.24)</b>	0.49
		<hr/> <hr/>	<hr/> <hr/>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

*For the three months ended 31 August 2017*

	<b>Share capital</b> <i>RM'000</i>	<b>Share premium</b> <i>RM'000</i>	<b>Special reserve</b> <i>RM'000</i>	<b>Other reserve</b> <i>RM'000</i>	<b>Accumulated profits</b> <i>RM'000</i>	<b>Total</b> <i>RM'000</i>
At 31 May 2016 (audited)	-	-	-	570	11,013	11,583
Profit and total comprehensive income for the period	-	-	-	-	1,563	1,563
At 31 August 2016 (unaudited)	<u>-</u>	<u>-</u>	<u>-</u>	<u>570</u>	<u>12,576</u>	<u>13,146</u>
At 31 May 2017 (audited)	-	-	-	<b>8,579</b>	<b>9,904</b>	<b>18,483</b>
Profit/loss and total comprehensive income/expense for the period	-	-	-	-	<b>(1,258)</b>	<b>(1,258)</b>
Capitalisation issue	<b>2,400</b>	<b>(2,400)</b>	-	-	-	-
Placing and offer of shares	<b>982</b>	<b>26,511</b>	-	-	-	<b>27,493</b>
Transaction costs attributable to issue of shares	-	<b>(3,895)</b>	-	-	-	<b>(3,895)</b>
At 31 August 2017 (unaudited)	<u><b>3,382</b></u>	<u><b>20,216</b></u>	<u>-</u>	<u><b>8,579</b></u>	<u><b>8,646</b></u>	<u><b>40,823</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 August 2017*

### 1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange since 19 July 2017. The Company was incorporated in the Cayman Islands as a private limited liability company on 28 October 2016. The addresses of the Company's registered office in Cayman Islands and headquarters and principal place of business in Malaysia are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

Merchant World Investments Limited ("**Merchant World**"), a limited company incorporated in the British Virgin Islands ("**BVI**"), is the immediate and ultimate holding company of the Company. Mr. Loh Swee Keong, is the ultimate controlling party of the Company who wholly owned Merchant World.

The Company is an investment holding company and the principal activities of the Group are manufacturing and trading of precast concrete junction boxes, trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia.

The unaudited condensed consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), which is also the functional currency of the Company. All values are rounded to nearest thousands (RM'000), unless otherwise stated.

### 2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2017 have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of the GEM Listing Rules.

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

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 31 May 2017, except for the new and revised IFRSs. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

### 3. REVENUE

Revenue represents the invoiced values of goods sold during the report periods.

	Three months ended 31 August	
	2017 RM'000 (unaudited)	2016 RM'000 (unaudited)
Manufacturing and trading	5,962	7,665
Other building materials and services	1,536	1,191
	<u>7,498</u>	<u>8,856</u>

### 4. FINANCE COSTS

	Three months ended 31 August	
	2017 RM'000 (unaudited)	2016 RM'000 (unaudited)
Interest on finance leases	8	5
Interest on trust receipt loan	–	6
Interest on bank overdraft	2	4
Interest on term loan	–	–
	<u>10</u>	<u>15</u>

### 5. TAXATION

	Three months ended 31 August	
	2017 RM'000 (unaudited)	2016 RM'000 (unaudited)
Malaysia corporate income tax:		
Current period	334	498
Underprovision in prior periods	–	27
Deferred tax	–	–
	<u>334</u>	<u>525</u>

Malaysia corporate income tax is calculated at the statutory tax rate on the estimated assessable profits.

## 6. (LOSS)/PROFIT FOR THE PERIOD

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
(Loss)/profit for the period has been arrived at after charging (crediting):		
Auditors' remuneration	<b>94</b>	3
Cost of inventories recognised as an expense	<b>3,522</b>	3,914
Staff costs, excluding Directors' remuneration		
— Salaries, wages and other benefits	<b>899</b>	749
— Contribution to EPF	<b>76</b>	64
	<b>975</b>	813
Minimum lease payments on rented land	<b>120</b>	105
Minimum lease payments on rented crane	<b>27</b>	20
Minimum lease payments on rental expenses	<b>2</b>	1
Depreciation of property, plant and equipment	<b>118</b>	19
Depreciation of investment property	<b>2</b>	2
Bad debts written off/(recovered)	<b>–</b>	13
Rental income from investment property	<b>(1)</b>	(5)
Interest income	<b>(6)</b>	(17)
Unrealised gain on foreign exchange	<b>(16)</b>	–

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 August 2017 (2016: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2017</b>	2016
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
(Loss)/Earnings for the purpose of basic (loss)/earnings per share		
((loss)/profit for the period attributable to the owners	<b>(1,258)</b>	1,564
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<b>526,086,957</b>	317,020,000

The weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the three months ended 31 August 2017 and 2016, had been adjusted retrospectively assuming that the group reorganisation and the issue of shares upon capitalisation of the share premium account have been effective from 1 June 2016 and accordingly, the 317,020,000 ordinary shares of the Company which were in issue and outstanding immediately after the group reorganisation and share capitalisation were assumed to have been effective on 1 June 2016.

The calculation of the weighted average number of ordinary shares outstanding for the three months ended 31 August 2017 also include the effect of the share offer of 180,000,000 new ordinary shares on the Listing Date.

No diluted (loss)/earnings per share information has been presented for either period as the Company has no potential ordinary shares outstanding during both periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group manufactures and sells precast concrete telecommunication junction boxes and precast concrete electrical junction boxes under the brand of “Target” in Malaysia (the “**Manufacturing and trading business**”). The Group’s precast concrete junction boxes are used in (i) telecommunication and electrical infrastructures upgrade and expansion works; and (ii) construction projects in Malaysia. They are buried underground to deter tampering and are used to house and protect a junction with telecommunication and electrical utility connection and distribution access points from weather, changing elevation underground and provide easy access for maintenance. The Group also engages in trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia (the “**Other building material and service business**”).

The Group has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia (“**Telekom**”) since 2008 and registered supplier of Tenaga National Bhd. (“**TNB**”), the only electric utility company, in Malaysia since 2012. Hence, the Group’s precast concrete junction boxes can be used in infrastructure or construction projects involving the telecommunication companies and TNB.

For the three months ended 31 August 2017, the revenue of the Group decreased by approximately 15.3% due to decrease in the revenue generated from the Manufacturing and trading business. For the Manufacturing and trading business, the drop in sales was mainly due to the fact that the permit approval of several infrastructure upgrade projects, which were expected to take place in July and August 2017, were postponed due to the South East Asian Games (“**SEA Games**”) and as such the delivery for junction boxes were delayed. It is expected that the delivery will be completed in the current financial year.

For the Other building material and service business, the slight increase in revenue was mainly attributable to the increase in sales of scrap iron.

Looking forward, the Directors consider that the future opportunities and challenges facing by the Group will largely depend on the construction works for utilities infrastructure and new development area construction. The Directors are of the view that the continued government interest and investment to expand power distribution, telecommunication, civil infrastructures coupled with the development of new commercial, industrial, and residential areas remains the key drivers and opportunities for the precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia. On the other hand, the Company’s wholly-owned subsidiary, namely Target Precast Industries Sdn Bhd entered into a legally-binding Letter of Award with Telekom in respect of the supply and delivery of concrete junction boxes and junction box covers for a term of three years from 1 January 2017 to 31 December 2019. The formal agreement in this respect had been signed and returned to the Group as 1 August 2017 (the “**Formal Agreement**”). The Directors expect that the growth of the Group will be sustained by the Formal Agreement because it is the first agreement entered directly between the Group and Telekom without the involvement of contractors or subcontractors, therefore it allows the Group to capture a higher profit margin in the sales of its precast concrete junction boxes.



## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately RM8.9 million for the three months ended 31 August 2016 to approximately RM7.5 million for the three months ended 31 August 2017, representing a decrease of approximately 15.3%. Such decrease was mainly due to the decrease in the revenue generated from the manufacturing and trading of precast junction boxes.

The Group's revenue generated from the Manufacturing and trading business decreased by approximately 22.2%, from approximately RM7.7 million for the three months ended 31 August 2016 to approximately RM6.0 million for the three months ended 31 August 2017. The decrease was mainly caused by the postponement of permit approval by authority of several infrastructure upgrade projects, which were expected to take place in July and August 2017, due to the SEA Games and as such the delivery for junction boxes were delayed. It is expected that the delivery will be completed in the current financial year.

For the Other building material and service business, revenue increased by approximately 29.0% from approximately RM1.2 million for the three months ended 31 August 2016 to approximately RM1.5 million for the three months ended 31 August 2017, which was mainly attributable to the increase in sales of scrap iron.

### **Cost of sales and Gross Profit**

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; and (iv) crane hiring costs. The cost of sales decreased from approximately RM6.0 million for the three months ended 31 August 2016 to approximately RM5.2 million for the three months ended 31 August 2017, representing a decrease of approximately 13.2%. Such change was mainly attributable to the decrease in sale of precast concrete junction boxes for three months ended 31 August 2017.

The Gross Profit decreased from approximately RM2.8 million for the three months ended 31 August 2016 to approximately RM2.3 million for the three months ended 31 August 2017.

### **Administrative expenses**

Administrative expenses of the Group increased by approximately RM0.9 million or 190.3% from approximately RM0.5 million for the three months ended 31 August 2016 to approximately RM1.4 million for the three months ended 31 August 2017.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees. The increase was mainly attributable to the increase in staff costs paid to Directors and staff due to business expansion and audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the period.

## **Selling and distribution expenses**

Selling and distribution expenses of the Group decreased slightly by approximately RM0.03 million or 9.5% from approximately RM0.32 million for the three months ended 31 August 2016 to approximately RM0.29 million for the three months ended 31 August 2017.

The Group's selling and distribution expenses mainly consisted of salaries, welfare and other benefits for sales and marketing staff and travelling and entertainment expenses. The slight decrease of selling and distribution expenses was mainly due to the decrease in incentive bonus and commission associated with the decrease in sales.

## **Loss for the period**

The Group recorded a net loss of approximately RM1.3 million for the three months ended 31 August 2017 due to the net effect of (i) a non-recurring Listing expenses of approximately RM1.6 million for its Listing exercise during the three months ended 31 August 2017; (ii) the increase in the administrative expenses incurred by the Group for the three months ended 31 August 2017; and (iii) the decrease in revenue of the Group for the three months ended 31 August 2017.

## **MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS, AND PLAN FOR MATERIAL INVESTMENT OR CAPITAL ASSETS**

Save for the reorganization in relation to the listing of the shares of the Company, there were no significant investment held, nor other material acquisitions and disposals of subsidiaries and affiliated companies during the three months ended 31 August 2017. There is no future plan for material investments or capital assets as at the date of this announcement.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 August 2017, the Group's cash and cash equivalents was approximately RM29.1 million (31 August 2016: approximately RM4.6 million).

As at 31 August 2017, the Group's total borrowings were approximately RM0.5 million (31 August 2016: approximately RM0.5 million).

As at 31 August 2017, the Group current ratio was 6.5 (31 August 2016: 3.6), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was approximately 1.3% as at 31 August 2017 (31 August 2016: 4.1%), which is calculated based on the total interest-bearing loans divided by the total equity.

As at 31 August 2017, the Group had no bank borrowings (31 August 2016: approximately RM0.4 million). The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the period and multiplied by 100%, decreased from approximately 4.0% as at 31 August 2016 to approximately 1.3% as at 31 August 2017 due to repayment of all bank borrowings in full. The Group's financial position is sound and strong. The directors consider that with available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS**

As at 31 August 2017, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

### **Ordinary Shares of the Company**

<b>Name of Director/ Chief Executive</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares</b>	<b>Percentage of the Company's issued share capital as at 31 August 2017</b>
Mr. Loh Swee Keong (Note 2)	Interest in controlled corporation	317,020,000 (L) (Note 1)	51.13%

Notes:

- (1) The letter (L) denotes the person's long interest in the Shares.
- (2) Merchant World Investments Limited is a company incorporated in the BVI and is wholly-owned by Mr. Loh Swee Keong. Mr. Loh Swee Keong is deemed to be interested in all the Shares held by Merchant World Investments Limited for the purpose of the SFO.

Save for disclosed above, as at 31 August 2017, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY**

As at 31 August 2017, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 and SFO were as follows:

#### **Ordinary Shares of the Company**

<b>Name of Director/ Chief Executive</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares</b>	<b>Percentage of the Company's issued share capital as at 31 August 2017</b>
Merchant World Investments Limited	Beneficial owner	317,020,000 (L) (Note 1)	51.13%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	317,020,000 (L)	51.13%
Greater Elite Holdings Limited	Beneficial owner	122,980,000 (L)	19.84%
Mr. Law Fung Yuen Paul (Note 3)	Interest in controlled corporation	122,980,000 (L)	19.84%
Ms. Cheng Lai Wah Christina (Note 4)	Interest of spouse	122,980,000 (L)	19.84%

*Notes:*

- (1) The letter (L) denotes the person's long interest in the Shares.
- (2) Ms. Woon Sow Sum is the spouse of Mr. Loh Swee Keong and is deemed, or taken to be interested in all Shares in which Mr. Loh Swee Keong has interest under the SFO.
- (3) Greater Elite Holdings Limited is a company incorporated in the BVI and is wholly-owned by Mr. Law Fung Yuen Paul. Mr. Law Fung Yuen Paul is deemed to be interested in all the Shares held by Greater Elite Holdings Limited for the purpose of the SFO.
- (4) Ms. Cheng Lai Wah Christina is the spouse of Mr. Law Fung Yuen Paul and is deemed, or taken to be interested in all Shares in which Mr. Law Fung Yuen Paul has interest under the SFO.

Save for disclosed above, as at 31 August 2017, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

## **CHARGE ON GROUP'S ASSETS**

The Group did not have any charge on its assets as at 31 August 2017 (2016: Nil).

## **FOREIGN CURRENCY RISK**

As most of the Group's transactions are denominated in Malaysian Ringgit and Hong Kong dollars, the Directors believe that the Group's exposure to exchange fluctuation was immaterial and the Group has not implemented any formal hedging or other alternative policies to deal with such exposure.

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities at the balance sheet date.

## **CORPORATE GOVERNANCE PRACTICES**

Under the code provision A.2.1 of the Corporate Governance Code (the "**CG Code**"), the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established.

Mr. Loh Swee Keong ("**Mr. Loh**") is the chairman of the Board and the chief executive officer of the Company. In view of Mr. Loh has been operating and managing the operating subsidiaries of the Group since 1993, the Board believes that it is in the best interest of the Group to have Mr. Loh taking up both roles for effective management and business development. Therefore, the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstances.

Save as disclosed above, for the three months ended 31 August 2017, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part time), or any member of the Group, including any Executive, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of the Group.

The Company conditionally adopted the Share Option Scheme on 27 June 2017 whereby the Board is authorised, at its absolute discretion and subject to the terms of the Share Option Scheme, to grant options to the Eligible Participants to subscribe for the shares of the Company. The Share Option Scheme will be valid and effective for a period of ten years from the date of the grant of option.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue upon the date of the shares of the Company listed on the GEM, being 62,000,000 shares (or such numbers of shares as shall result from a subdivision or a consolidation of such 62,000,000 from time to time) (the “**Scheme Limit**”). Subject to shareholders’ approval in general meeting, the Board may (i) renew this limit at any time to 10% of the shares in issue as at the date of the approval by the shareholders in general meeting; and/or (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board.

The number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Company at any time shall not exceed 30% of the shares in issue from time to time. No options shall be granted under any schemes of the Company (including the Share Option Scheme) if this will result in the limit being exceeded.

The total number of shares issuable upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each Participants in any twelve months period shall not exceed 1% of the shares in issue. Any further grant of options is subject to shareholders’ approval in general meeting with such Eligible Participants and his associates abstaining from voting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant to the provisions of early termination thereof.

An offer for the grant must be accepted not less than five business days from the date on which the Option is granted. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an options is HK\$1.

Pursuant to the Share Option Scheme, the participants may subscribe for the shares of the Company on exercise of an option at the price determined by the Board provided that it shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the share.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed under the section "Share Option Scheme" and "Directors' and chief executives interests and short positions in shares, underlying shares and debentures of the company and associated corporations". At no time during the period was the Company, its or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the Chief Executives (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, or underlying shares, or debentures of the Company or its associated corporations (within the meaning of PART XV of the SFO).

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors 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 Company had also made specific enquiry of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the three months ended 31 August 2017 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 August 2017.

## **DIRECTOR'S INTEREST OF COMPETING BUSINESS**

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business.

## AUDIT COMMITTEE

The Group has established the Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The duties of the Audit Committee are to primary review financial statements of the Company and oversee internal control procedures of the Company.

The Audit Committee currently consists of three members namely, Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Lee, Alexander Patrick. The chairman of the Audit Committee is Mr. Chu Kin Ming.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months 31 August 2017 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

## INTEREST OF THE COMPLIANCE ADVISER

As notified by RHB Capital Hong Kong Limited (“**RHB Capital**”), compliance adviser of the Company, except for (i) RHB Capital’s participation as the sole sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and RHB Capital dated 27 June 2017, neither RHB Capital nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of RHB Capital had any interest in the share capital of our Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 August 2017.

By Order of the Board  
**SK Target Group Limited**  
**Loh Swee Keong**  
*Chairman*

Hong Kong, 6 October 2017

*As at the date of this announcement, the Executive Directors are Mr. Loh Swee Keong and Mr. Tan Cheng Siong; the Independent Non-executive Directors are Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Lee, Alexander Patrick.*

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