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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 THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 28 FEBRUARY 2019**

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

**GEM has been positioned as a market designed to accommodate small & mid-sized 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.**

**Given that the companies listed on the GEM are generally small & mid-sized companies, there is a risk that securities traded on the 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 the 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 (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 nine months ended 28 February 2019 together with the unaudited comparative figures for the corresponding period in 2018 as follows:

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

*For the nine months ended 28 February 2019*

	Note	Three months ended		Nine months ended	
		28 February		28 February	
		2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	<b>5,959</b>	9,709	<b>20,898</b>	25,558
Cost of sales		<b>(4,536)</b>	(7,437)	<b>(15,797)</b>	(19,471)
Gross profit		<b>1,423</b>	2,272	<b>5,101</b>	6,087
Other income		<b>243</b>	45	<b>577</b>	198
Administrative expenses		<b>(2,510)</b>	(1,629)	<b>(6,535)</b>	(4,748)
Selling and distribution expenses		<b>(254)</b>	(283)	<b>(801)</b>	(813)
Listing expenses		-	-	-	(2,365)
Finance costs	4	<b>(4)</b>	(4)	<b>(12)</b>	(43)
(Loss)/Profit before taxation		<b>(1,102)</b>	401	<b>(1,670)</b>	(1,684)
Taxation	5	<b>(117)</b>	(133)	<b>(418)</b>	(734)
(Loss)/Profit for the period	6	<b>(1,219)</b>	268	<b>(2,088)</b>	(2,418)
Other comprehensive income items that will not be reclassified to profit or loss:					
Exchange differences arising on translation from functional currency to presentation currency		<b>122</b>	-	<b>356</b>	-
Total comprehensive (loss) profit for the period		<b>(1,097)</b>	268	<b>(1,732)</b>	(2,418)
(Loss)/Earnings per share					
- Basic (RM cents)	8	<b>(0.20)</b>	0.04	<b>(0.34)</b>	(0.41)

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

*For the nine months ended 28 February 2019*

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Retained profits <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2017 (audited)	–	–	8,579	–	9,904	18,483
Loss and total comprehensive income/expense for the period	–	–	–	–	(2,418)	(2,418)
Capitalisation issue	2,400	(2,400)	–	–	–	–
Placing and offer of shares	982	26,511	–	–	–	27,493
Transaction costs attributable to issue of shares	–	(4,220)	–	–	–	(4,220)
At 28 February 2018 (unaudited)	<u>3,382</u>	<u>19,891</u>	<u>8,579</u>	<u>–</u>	<u>7,486</u>	<u>39,338</u>
At 31 May 2018 (audited)	<b>3,382</b>	<b>19,891</b>	<b>8,579</b>	<b>(974)</b>	<b>6,814</b>	<b>37,692</b>
Loss for the period	–	–	–	–	(2,088)	(2,088)
Exchange differences arising on translation from functional currency presentation currency	–	–	–	356	–	356
Total comprehensive loss for the period	<u>–</u>	<u>–</u>	<u>–</u>	<u>356</u>	<u>(2,088)</u>	<u>(1,732)</u>
At 28 February 2019 (unaudited)	<u><b>3,382</b></u>	<u><b>19,891</b></u>	<u><b>8,579</b></u>	<u><b>(618)</b></u>	<u><b>4,726</b></u>	<u><b>35,960</b></u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 28 February 2019*

### 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 “**Listing**”). 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 the Cayman Islands and the headquarters and the 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. The principal place of business in Hong Kong is Room 101, 1/F, Chung Nam Building, 1 Lockhart Road, Wanchai, Hong Kong.

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. Merchant World is wholly-owned by Mr. Loh Swee Keong.

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, and Japanese catering service in Hong Kong.

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 nine months ended 28 February 2019 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 2018, 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 reporting periods.

	Three months ended		Nine months ended	
	28 February		28 February	
	2019	2018	2019	2018
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Manufacturing and trading	3,848	6,057	13,428	17,787
Other building materials and services	1,379	3,652	5,213	7,771
Japanese catering services	732	–	2,257	–
	<u>5,959</u>	<u>9,709</u>	<u>20,898</u>	<u>25,558</u>

### 4. FINANCE COSTS

	Three months ended		Nine months ended	
	28 February		28 February	
	2019	2018	2019	2018
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on:				
Finance leases	–	3	–	39
Trust receipt loan	2	–	5	–
Bank overdraft	–	1	–	4
Commitment fees	2	–	7	–
	<u>4</u>	<u>4</u>	<u>12</u>	<u>43</u>

### 5. TAXATION

	Three months ended		Nine months ended	
	28 February		28 February	
	2019	2018	2019	2018
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Malaysia corporate income tax:				
Current period	117	89	418	690
Underprovision in prior periods	–	44	–	44
Deferred tax	–	–	–	–
	<u>117</u>	<u>133</u>	<u>418</u>	<u>734</u>

Malaysia corporate income tax is calculated at the statutory tax rate of 18%-24% (Note) on the estimated assessable profits.

*Note:* Under the Income Tax Act 1967 of Malaysia, small and medium enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 18% and 17% on chargeable income amounting to RM500,000 or less for the periods ended 28 February 2018 and 28 February 2019 respectively. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the periods ended 28 February 2018 and 28 February 2019.

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

	Three months ended		Nine months ended	
	28 February		28 February	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the period has been arrived at after charging(crediting):				
Auditor remuneration	150	31	403	285
Cost of inventories recognised as an expense	3,068	6,136	10,769	14,363
Staff costs, excluding directors' remuneration:				
– Salaries, wages and other benefits	1,291	1,116	3,952	3,005
– Contribution to EPF	103	112	299	277
	1,394	1,228	4,251	3,282
Minimum lease payments on:				
Factory	126	120	366	360
Crane	10	23	18	67
Shop	159	–	486	–
Staff accomodation	5	–	14	–
Office equipment	6	–	15	–
Depreciation on:				
Property, plant and equipment	173	202	506	385
Investment property	3	2	8	8
Loss on disposal of property, plant and equipment	–	–	–	–
Unrealised loss/(gain) on foreign exchange	438	57	(235)	54
Interest income	(19)	(7)	(38)	(30)
Rental income from investment property	–	–	–	(1)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 28 February 2019 (2018: Nil).

## 8. (LOSS)/EARNINGS PER SHARE

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

	Three months ended 28 February		Nine months ended 28 February	
	2019	2018	2019	2018
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/Earnings for the purpose of basic (loss)/earnings per share ((loss)/profit for the period attributable to the owners	<u>(1,219)</u>	<u>268</u>	<u>(2,088)</u>	<u>(2,418)</u>
	<b>Number share</b>	Number share	<b>Number share</b>	Number share
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	<u>620,000,000</u>	<u>620,000,000</u>	<u>620,000,000</u>	<u>588,351,648</u>

For the nine months ended 28 February 2018 and 28 February 2019, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the capitalisation on issue of shares to the consolidated financial statements has been effective on 1 June 2017.

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

## 9. EVENTS AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 28 February 2019 and up to the date of this announcement.

## 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 has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia since 2008 and a registered supplier of Tenaga Nasional 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 nine months ended 28 February 2019, the revenue of the Group decreased by approximately 18.2% due to decrease in the revenue generated from the manufacturing and trading business.

The overall market condition of the precast concrete junction box industry (i.e. the industry in relation to the manufacturing of both precast concrete telecommunication junction box and precast concrete electrical junction box) in Malaysia was relative stable in the last financial year. However, following a change in the Malaysian Government in May 2018, there are changes in policies to fulfill the election mandates of Mr. Mahathir Mohamad, the Prime Minister. The potential changes in policies may create more uncertainty to the growth of the economy of Malaysia in the foreseeable future. Moreover, other factors which include labour shortage and dependency on foreign workers, and the rising production and transportation costs may exert pressure on the Group’s business operations. Nevertheless, the Group remains cautiously optimistic about the overall business prospects.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately RM25.6 million for the nine months ended 28 February 2018 to approximately RM20.9 million for the nine months ended 28 February 2019, representing a decrease of approximately 18.2%. Such decrease was mainly due to the decrease in the revenue generated from the manufacturing and trading business.

Following the change in the Malaysian Government in May 2018, which caused uncertainty to Malaysia's whole economy, the demand and orders for the Group's precast junction boxes dropped compared to those for the same period last year. As a result, the revenue generated from the manufacturing and trading business decreased by approximately 24.5% from RM17.8 million for the nine months ended 28 February 2018 to approximately RM13.4 million for the nine months ended 28 February 2019.

Moreover, the Group's revenue generated from other building material and services which consists of the trading of accessories and pipes and the provision of mobile crane rental and ancillary services decreased by approximately 32.9%, from approximately RM7.8 million for the nine months ended 28 February 2018 to approximately RM5.2 million for the nine months ended 28 February 2019. The decrease was mainly caused by the decrease in sales of scrap iron and pipes.

The Japanese catering services generated approximately RM2.3 million income to the Group for the nine months ended 28 February 2019 (2018 same period: nil).

### **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; (iv) crane hiring costs and (v) food costs. The cost of sales decreased from approximately RM19.5 million for the nine months ended 28 February 2018 to approximately RM15.8 million for the nine months ended 28 February 2019, representing a decrease of approximately 18.9%. Such change was mainly attributable to the decrease in sales of precast junction boxes for the nine months ended 28 February 2019.

The Gross Profit decreased from approximately RM6.1 million for the nine months ended 28 February 2018 to approximately RM5.1 million for the nine months ended 28 February 2019.

## **Administrative expenses**

Administrative expenses of the Group increased by approximately RM1.8 million or approximately 37.6% from approximately RM4.7 million for the nine months ended 28 February 2018 to approximately RM6.5 million for the nine months ended 28 February 2019.

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 other cost associated with the development of the Japanese catering services.

## **Selling and distribution expenses**

Selling and distribution expenses of the Group decreased by approximately RM12,000 or 1.5% from approximately RM813,000 for the nine months ended 28 February 2018 to approximately RM801,000 for the nine months ended 28 February 2019.

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 of the manufacturing and trading business.

## **Loss for the period**

The Group recorded a net loss of approximately RM2.1 million for the nine months ended 28 February 2019 due to the net effect of (i) the increase in the administrative expenses incurred by the Group for the nine months ended 28 February 2019; (ii) the decrease in revenue of the Group for the nine months ended 28 February 2019; and (iii) the decrease in gross profit of the Group for the nine months ended 28 February 2019.

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

There were no significant investment held, nor other material acquisitions and disposals of subsidiaries and affiliated companies during the nine months ended 28 February 2019. Save as disclosed in the section headed "Future plans and use of proceeds" in the Company's Prospectus dated 6 July 2017, there is no specific future plan for material investments or capital assets as at the date of this announcement.

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

As at 28 February 2019, 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 Securities & Futures Ordinance (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

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of Shares	Percentage of the Company's issued share capital as at 28 February 2019
Mr. Loh Swee Keong ( <i>Note 2</i> )	Interest in controlled corporation	238,620,000 (L) ( <i>Note 1</i> )	38.49%

*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 28 February 2019, 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 28 February 2019, 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

Name	Capacity/Nature of Interest	Number of Shares	Percentage of the Company's issued share capital as at 28 February 2019
Merchant World Investments Limited	Beneficial owner	238,620,000 (L) <i>(Note 1)</i>	38.49%
Ms. Woon Sow Sum <i>(Note 2)</i>	Interest of spouse	238,620,000 (L)	38.49%
Greater Elite Holdings Limited	Beneficial owner	122,980,000 (L)	19.84%
Mr. Law Fung Yuen, Paul <i>(Note 3)</i>	Interest in controlled corporation	122,980,000 (L)	19.84%
Ms. Cheng Lai Wah, Christina <i>(Note 4)</i>	Interest of spouse	122,980,000 (L)	19.84%
Mr. Fung Tak, Andrew	Beneficial owner	44,512,000 (L)	7.17%
Ms. Lo Pui Chu, Amy <i>(Note 5)</i>	Interest of spouse	44,512,000 (L)	7.17%
Mr. Fung Hong, Albert	Beneficial owner	31,520,000 (L)	5.08%
Ms. Cho Ka Lai <i>(Note 6)</i>	Interest of spouse	31,520,000 (L)	5.08%

*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.
- (5) Ms. Lo Pui Chu, Amy is the spouse of Mr. Fung Tak, Andrew and is deemed, or taken to be interested in all the Shares in which Mr. Fung Tak, Andrew has interest under the SFO.
- (6) Ms. Cho Ka Lai is the spouse of Mr. Fung Hong, Albert and is deemed, or taken to be interested in all the Shares in which Mr. Fung Hong, Albert has interest under the SFO.

Save for disclosed above, as at 28 February 2019, 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 28 February 2019 (2018: Nil).

## **FOREIGN CURRENCY RISK**

Since a substantial amount of income and profit of our Group is denominated in RM, any fluctuations in the value of RM may adversely affect the amount of dividends, if any, payable to the Shares in HK\$ to our Shareholders. Furthermore, fluctuations in the RM's value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on our Group's business, financial condition and results of operations. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into HK\$, of our Group's net assets, earnings or any declared dividends. Consequently, this may adversely affect our Group's ability to pay dividends or satisfy other foreign exchange requirements. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arises.

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 28 February 2019 (2018: Nil).

## **CORPORATE GOVERNANCE PRACTICES**

Under the code provision A.2.1 of the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules, 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 nine months ended 28 February 2019, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## **SHARE OPTION SCHEME**

The purpose of a 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 a share option scheme (“**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 share holders 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.

No share option has been granted since the adoption of the Share Option Scheme and there was no share option outstanding as at 28 February 2019.

## **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 enquiries 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 nine months ended 28 February 2019 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 during the nine months ended 28 February 2019.

## **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, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Group has established an 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 CG Code 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. Ma She Shing, Albert. 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 nine months ended 28 February 2019 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 28 February 2019.

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

Hong Kong, 12 April 2019

*As at the date of this announcement, the Board comprises one Executive Director, namely, Mr. Loh Swee Keong and three Independent Non-executive Directors, namely, Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Ma She Shing, Albert.*

*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).*