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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2018

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 & medium 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on the GEM are generally small & medium 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 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.*

INTERIM RESULTS

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 six months ended 30 November 2018 (the “**Interim Financial Statements**”) together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 November 2018

		Three months ended 30 November		Six months ended 30 November	
	Note	2018	2017	2018	2017
		RM'000	RM'000	RM'000	RM'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	5	6,620	8,351	14,939	15,849
Cost of sales		(5,007)	(6,808)	(11,261)	(12,034)
Gross profit		1,613	1,543	3,678	3,815
Other income		79	102	334	153
Administrative expenses		(1,706)	(1,667)	(4,025)	(3,068)
Selling and distribution expenses		(237)	(244)	(547)	(530)
Listing expenses		—	(842)	—	(2,416)
Finance costs	6	(3)	(30)	(8)	(39)
Loss before taxation	7	(254)	(1,138)	(568)	(2,085)
Taxation	8	(113)	(267)	(301)	(601)
Loss for the period		(367)	(1,405)	(869)	(2,686)
Other comprehensive income items that will not be reclassified to profit or loss:					
Exchange differences arising on translation from functional currency to presentation currency		8	—	234	—
Total comprehensive loss for the period		(359)	(1,405)	(635)	(2,686)
Loss per share					
— Basic (RM cents)	9	(0.06)	(0.23)	(0.14)	(0.47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 November	31 May
	2018	2018
<i>Note</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(audited)
Non-Current Assets		
Property, plant and equipment	4,925	4,380
Investment property	386	391
Deferred Tax Assets	32	32
	<hr/>	<hr/>
Total Non-Current Assets	5,343	4,803
Current Assets		
Inventories	1,372	1,350
Receivables, deposits and prepayment	<i>11</i> 19,124	19,897
Amount owing from ultimate holding company	<i>12</i> 9	9
Amount owing from a shareholder	<i>12</i> 7	3
Tax recoverable	628	369
Short-term bank deposits pledged with banks	<i>13</i> 1,018	401
Cash on hand and at bank	15,137	21,075
	<hr/>	<hr/>
Total Current Assets	37,295	43,104
Current Liabilities		
Payables and accrued charges	<i>14</i> 5,346	9,937
Amount owing to a Director	<i>12</i> 12	12
Tax payable	—	43
	<hr/>	<hr/>
	5,358	9,992
	<hr/>	<hr/>
Net Current Assets	31,937	33,112
	<hr/>	<hr/>
Total Assets Less Current Liabilities	37,280	37,915
	<hr/>	<hr/>

		30 November 2018	31 May 2018
	<i>Note</i>	<i>RM'000</i>	<i>RM'000</i>
		(unaudited)	(audited)
Non-Current Liabilities			
Deferred tax liabilities		<u>223</u>	<u>223</u>
		<u>223</u>	<u>223</u>
Net Assets		<u>37,057</u>	<u>37,692</u>
Capital and Reserves			
Share capital	<i>15</i>	3,382	3,382
Share premium		19,891	19,891
Other reserve		8,579	8,579
Translation reserve		(740)	(974)
Retained profits		<u>5,945</u>	<u>6,814</u>
		<u>37,057</u>	<u>37,692</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2018

	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 loss for the period	—	—	—	—	(2,686)	(2,686)
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 30 November 2017 (unaudited)	<u>3,382</u>	<u>19,891</u>	<u>8,579</u>	<u>—</u>	<u>7,218</u>	<u>39,070</u>
	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 2018 (audited)	3,382	19,891	8,579	(974)	6,814	37,692
Loss for the period	—	—	—	—	(869)	(869)
Exchange differences arising on translation from functional currency to presentation currency	—	—	—	234	—	234
Total comprehensive loss for the period	—	—	—	234	(869)	(635)
At 30 November 2018 (unaudited)	<u>3,382</u>	<u>19,891</u>	<u>8,579</u>	<u>(740)</u>	<u>5,945</u>	<u>37,057</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2018

	Six months ended	
	30 November	
	2018	2017
	RM'000	RM'000
Net Cash Used In Operating Activities	<u>(5,358)</u>	<u>(3,640)</u>
INVESTING ACTIVITIES		
Interest received	19	22
Purchase of property, plant and equipment	(878)	(691)
Proceed from disposal of property, plant and equipment	—	103
(Advanced to)/Repayment from a shareholder	(4)	4
Repayment from ultimate holding company	—	3
	<u>—</u>	<u>—</u>
Net Cash Used In Investing Activities	<u>(863)</u>	<u>(559)</u>
FINANCING ACTIVITIES		
Finance costs paid	(8)	(37)
Repayment of finance leases	—	(469)
Increase in short term bank deposits pledged	(617)	—
Proceeds from issuance of shares	—	27,493
Transaction costs attributable to issue of shares	—	(4,220)
	<u>—</u>	<u>—</u>
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(625)	22,767
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,846)	18,568
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,075	7,248
Effects of exchange rate changes on the balance of cash held in foreign currency	<u>908</u>	<u>77</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY	15,137	25,893
Cash on hand and at bank	<u>15,137</u>	<u>25,893</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 November 2018

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 the 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. 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.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited consolidated financial statements of the Group for the six months ended 30 November 2018 have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 May 2018 (the "**2018 Annual Financial Statements**"), except for the adoption of the new and revised IFRSs which are effective for the financial year begin on or after 1 June 2018. The adoption of the new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2018 Annual Financial Statements.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. The Interim 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.

3. APPLICATION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted the following new and revised IFRSs, which are effective for the Group's accounting period beginning on or after 1 June 2018.

IFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
IFRS 15	Revenue from Contract with Customers (and the related Clarifications)
IFRIC 22	Foreign Currency Transactions and Advance Consideration

Amendments to:

IFRS 2	Classification and Measurement of Share-based Payment Transactions
IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IAS 40	Transfers of Investment Property
IFRSs	Annual Improvements to IFRSs 2014–2016 Cycle

The adoption of the new and revised IFRSs in the current period has had no material effect on the Group's financial performance and positions for the current period and prior accounting periods and the disclosures set out in the Interim Financial Statements.

4. ESTIMATES

The preparation of Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Annual Financial Statements.

5. REVENUE AND SEGMENTAL INFORMATION

Information reported to Mr. Loh Swee Keong, the Director of the Group, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance is based on the following reportable and operating segments identified under IFRS 8 Operating Segments:

- (a) Manufacturing and trading — manufacturing and trading of precast concrete junction boxes;
- (b) Other building materials and services — trading of accessories and pipes and provision of mobile crane rental and ancillary services; and
- (c) Japanese catering services — provision of Japanese catering services.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

Six months ended 30 November 2018 (unaudited)

	Manufacturing and trading RM'000	Other building materials and services RM'000	Japanese catering services RM'000	Total RM'000
Revenue				
External sales	9,580	3,834	1,525	14,939
Inter-segment sales	<u>3,120</u>	<u>575</u>	<u>—</u>	<u>3,695</u>
Segment revenue	<u>12,700</u>	<u>4,409</u>	<u>1,525</u>	18,634
Elimination				<u>(3,695)</u>
Group revenue				<u>14,939</u>
Segment result	<u>2,500</u>	<u>228</u>	<u>950</u>	3,678
Administrative expenses				(4,025)
Selling and distribution expenses				(547)
Finance costs				(8)
Other income				<u>334</u>
Loss before taxation				<u><u>(568)</u></u>

Six months ended 30 November 2017 (unaudited)

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Total <i>RM'000</i>
Revenue			
External sales	11,729	4,120	15,849
Inter-segment sales	<u>3,534</u>	<u>736</u>	<u>4,270</u>
Segment revenue	<u>15,263</u>	<u>4,856</u>	20,119
Elimination			<u>(4,270)</u>
Group revenue			<u>15,849</u>
Segment result	<u>3,764</u>	<u>51</u>	3,815
Administrative expenses			(3,068)
Selling and distribution expenses			(530)
Listing expenses			(2,416)
Finance costs			(39)
Other income			<u>153</u>
Loss before taxation			<u><u>(2,085)</u></u>

Segment results represents the profit from each segment without allocation of administrative expenses, listing expenses, selling and distribution expenses, finance costs, other income, fair value change of financial assets at fair value through profit or loss and taxation. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates with discount given for certain bulk purchase.

6. FINANCE COSTS

	Three months ended 30 November		Six months ended 30 November	
	2018 <i>RM'000</i> (unaudited)	2017 <i>RM'000</i> (unaudited)	2018 <i>RM'000</i> (unaudited)	2017 <i>RM'000</i> (unaudited)
Interest expense on:				
Finance leases	—	29	—	37
Trust receipt loan	1	—	4	—
Bank overdraft	—	1	—	2
Commitment fees	2	—	4	—
	<u>3</u>	<u>30</u>	<u>8</u>	<u>39</u>

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging/(crediting):

	Three months ended 30 November		Six months ended 30 November	
	2018 <i>RM'000</i> (unaudited)	2017 <i>RM'000</i> (unaudited)	2018 <i>RM'000</i> (unaudited)	2017 <i>RM'000</i> (unaudited)
Auditor remuneration	127	91	252	176
Cost of inventories recognised as an expense	3,683	4,935	7,701	8,457
Staff costs, excluding Directors' remuneration:				
— Salaries, wages and other benefits	1,214	893	2,661	1,850
— Contribution to EPF	93	73	196	156
	1,307	966	2,857	2,006
Minimum lease payments on:				
Factory	120	120	240	240
Crane	4	19	8	45
Shop	161	—	328	—
Staff accommodation	5	5	10	10
Office equipment	6	2	8	4
Depreciation on:				
Property, plant and equipment	173	120	334	243
Investment property	3	3	5	5
Loss on disposal of property, plant and equipment	—	11	—	11
Unrealised loss/(gain) on foreign exchange	113	47	(673)	(3)
Interest income	(10)	(18)	(19)	(24)
Rental income from investment property	—	—	—	(1)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1)</u>

8. TAXATION

	Three months ended		Six months ended	
	30 November		30 November	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Malaysia corporate income tax:				
Current period	113	267	301	601
Underprovision in prior periods	—	—	—	—
Deferred tax:				
	<u>113</u>	<u>267</u>	<u>301</u>	<u>601</u>

The Malaysia corporate income tax rate is calculated at the statutory tax of 18–24% on the estimated assessable profits.

Note:

Under the Income Tax Act, 1967 of Malaysia, small and medium sized enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 18% for the periods ended 30 November 2017 and 30 November 2018, on chargeable income amounting to RM500,000 or less. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the periods ended 30 November 2017 and 30 November 2018 respectively.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Three months ended		Six months ended	
	30 November		30 November	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the purpose of basic Loss per share for the period attributable to the owners of the Company	<u>(0.06)</u>	<u>(0.23)</u>	<u>(0.14)</u>	<u>(0.47)</u>
	Number of shares	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>620,000,000</u>	<u>620,000,000</u>	<u>620,000,000</u>	<u>572,786,885</u>

For the six months ended 30 November 2017, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the capitalisation on issue of share to the consolidated financial statements has been effective on 1 June 2015.

No diluted loss per share information has been presented for the six months ended 30 November 2018 and 2017 as there were no potential ordinary shares outstanding during both periods.

For the six months ended 30 November 2018, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the capitalisation on issue of share to the unaudited condensed consolidated financial statements has been effective on 1 June 2015.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 November 2018 (30 November 2017: Nil).

11. RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 November 2018 RM'000 (unaudited)	31 May 2018 RM'000 (audited)
Trade receivables	18,206	18,724
Less: Allowance for doubtful debts	(120)	(373)
	18,086	18,351
Other receivables	59	550
Deposits	713	595
Prepayments	266	324
Advance to suppliers	—	77
	19,124	19,897

The amounts due from trade debtors are unsecured, do not carry any interest and the credit term granted by the Group ranges from 30 to 120 days.

The following is an aged analysis of trade receivables (net of allowance for doubtful debts) presented based on the invoice date.

	30 November 2018 RM'000 (unaudited)	31 May 2018 RM'000 (audited)
1–30 days	5,961	5,787
31–60 days	3,341	4,298
61–90 days	1,434	3,309
91–120 days	1,111	1,812
More than 120 days	6,239	3,145
	<u>18,086</u>	<u>18,351</u>

12. AMOUNTS OWING FROM/(TO) A DIRECTOR, ULTIMATE HOLDING COMPANY AND A SHAREHOLDER

The amounts owing from/(to) a Director, Mr. Loh Swee Keong, is non-trade nature, unguaranteed, unsecured, interest-free and repayable on demand. The amount owing to a Director of RM12,000 as at 30 November 2017 and 30 November 2018 represents expenses paid on behalf of the Director.

The amount owing from the ultimate holding company is non-trade nature, unsecured, interest free and repayable on demand.

The amount owing from a shareholder is non-trade nature, unsecured, interest free and repayable on demand.

13. SHORT TERM BANK DEPOSITS PLEDGED WITH BANKS

Short term bank deposits with an original maturity of three months or less carry interest at prevailing market rate of ranging from 2.95% to 3.20% and 3.15% per annum as at 31 May 2018 and 30 November 2018 respectively. The short term bank deposits are pledged to secure general banking facilities granted to the Group.

14. PAYABLES AND ACCRUED CHARGES

	30 November 2018 RM'000 (unaudited)	31 May 2018 RM'000 (audited)
Trade payables	3,297	8,143
Accrued charges	1,123	993
Other payables	912	712
Advance from customers	—	78
Customer's deposits	14	11
	<u>5,346</u>	<u>9,937</u>

The following is an aged analysis of trade payables presented based on the invoice dates.

	30 November 2018 RM'000 (unaudited)	31 May 2018 RM'000 (audited)
1–30 days	1,233	1,932
31–60 days	1,616	3,141
61–90 days	263	2,360
91–120 days	135	462
Over 120 days	50	248
	<u>3,297</u>	<u>8,143</u>

The average credit period on purchases of goods is 30 to 75 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

15. SHARE CAPITAL

The share capital as at 30 November 2018 represented the issued share capital of the Company. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 11 November 2016.

	Number of shares '000	Share capital	
		<i>HK\$'000</i>	<i>RM'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 31 May 2018 and at 30 November 2018	<u>10,000,000</u>	<u>100,000</u>	
Issued and fully paid:			
At 31 May 2018 and at 30 November 2018	<u>620,000</u>	<u>6,200</u>	<u>3,382</u>

Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, the Company has conditionally adopted a share option scheme. No option was granted as at the date of this announcement.

16. EVENT AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 30 November 2018.

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 (“**Celcom**”) and Telekom Malaysia (“**Telekom**”) since 2008 and 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 six months ended 30 November 2018, the revenue of the Group decreased by approximately 5.7% 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 RM15.8 million for the six months ended 30 November 2017 to approximately RM14.9 million for the six months ended 30 November 2018, representing a decrease of approximately 5.7%. Such decrease was mainly due to the decrease of the revenue generated from the manufacturing and trading business.

Following the change in 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 last year same period. As a result, the revenue generated from the manufacturing and trading business decreased by approximately 18.3% from approximately RM11.7 million for the six months ended 30 November 2017 to approximately RM9.6 million for the six months ended 30 November 2018.

Moreover, the Group's revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services decreased by approximately 6.9%, from approximately RM4.1 million for the six months ended 30 November 2017 to approximately RM3.8 million for the six months ended 30 November 2018. The decrease was mainly caused by the decrease in sales of scrap iron.

The Japanese catering services generated approximately RM1.5 million income to the Group for the six months ended 30 November 2018.

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 RM12.0 million for the six months ended 30 November 2017 to approximately RM11.3 million for the six months ended 30 November 2018, decrease of approximately 6.4%. Such change was mainly attributable to the decrease in sales of precast junction boxes for the six months ended 30 November 2018.

The Gross Profit slightly decreased from approximately RM3.8 million for the six months ended 30 November 2017 to approximately RM3.7 million for the six months ended 30 November 2018.

Administrative expenses

Administrative expenses of the Group increased by approximately RM1.0 million or 31.2% from approximately RM3.1 million for the six months ended 30 November 2017 to approximately RM4.0 million for the six months ended 30 November 2018.

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 Japanese catering services.

Selling and distribution expenses

Selling and distribution expenses of the Group increased slightly by approximately RM17,000 or 3.2% from approximately RM0.53 million for the six months ended 30 November 2017 to approximately RM0.55 million for the six months ended 30 November 2018.

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 increase of selling and distribution expenses was mainly due to the increase of staff cost.

Loss for the period

The Group recorded a net loss of approximately RM0.87 million for the six months ended 30 November 2018 due to the net effect of (i) the increase in the administrative expenses incurred by the Group for the six months ended 30 November 2018; (ii) the decrease in revenue of the Group for the six months ended 30 November 2018; and (iii) the slight decrease in the cost of sales of the Group for the six months ended 30 November 2018.

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 six months ended 30 November 2018.

Save as disclosed in the section headed "Future plans and use of proceeds" in the Prospectus, there is no specific future plan for material investment or capital assets as at 30 November 2018.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2018, the Group's cash and cash equivalents was approximately RM15.1 million (31 May 2018: approximately RM21.5 million).

As at 30 November 2018, the Group's had no borrowings (31 May 2018: Nil).

As at 30 November 2018, the Group's current ratio was 6.96 (31 May 2018: 4.3), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was nil as at 30 November 2018 (31 May 2018: Nil), which is calculated based on the total interest-bearing loans divided by the total equity.

The Directors consider that the Group's financial position is sound and strong. With available bank balances and cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

CAPITAL STRUCTURE

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 19 July 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 November 2018, the share capital and equity attributable to owners of the Company amounted to approximately RM3.4 million and approximately RM33.7 million respectively (31 May 2018: RM3.4 and RM34.3 million respectively).

CAPITAL COMMITMENTS

As at 30 November 2018, the Group had no capital commitments (31 May 2018: Nil).

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

As at 30 November 2018, 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

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of shares	Percentage of the Company's issued share capital as at 30 November 2018
Mr. Loh Swee Keong (Note 2)	Interest in controlled corporation	238,620,000 (L) (Note 1)	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 30 November 2018, 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 30 November 2018, 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 of the 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 30 November 2018
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	38,440,000 (L)	6.26%
Ms. Lo Pui Chu, Amy (<i>Note 5</i>)	Interest of spouse	38,440,000 (L)	6.26%

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.

Save for disclosed above, as at 30 November 2018, 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

As at 30 November 2018, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (31 May 2018: approximately RM0.4 million). These deposits were pledged to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

Since a substantial amount of income and profit of our Group is denominated in Malaysian Ringgit ("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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 November 2018 (six months ended 30 November 2017: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2018, we had 89 employees who are located in Malaysia and the Hong Kong Special Administrative Region. The Group generally recruits employees from the open market by placing recruitment advertisements. The Group entered into individual labour contracts with each of the employees in accordance with the applicable labour laws of Malaysia and the Hong Kong Special Administrative Region, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package that the Group offers to the employees includes salary, bonuses, allowances and medical benefits. In general, the Group determines an employee's salary based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. The Group has designed a review system to assess the performance of our employees once a year, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

PRINCIPAL RISK AND UNCERTAINTIES

Operational risk

The Group's operation is subject to general economic and market risks which may affect the competition and profitability of construction projects. The Group's key risk exposures are summarised as follows:

- (a) Fluctuation in the prices of our major raw materials may have adverse impacts on the Group's financial results;
- (b) The Group's revenue is mainly derived from the manufacturing and sale of precast concrete junction boxes to its customers for infrastructure upgrades and expansion work for construction projects, which are non-recurrent in nature and there is no guarantee that the customers will place new business purchase orders; and
- (c) The Group's cash flow position may deteriorate owing to a mismatch between the time of receipt of payments from its customers and payments to its suppliers if the Group is unable to manage its cash flow mismatch properly.

For other risks and uncertainties facing the Group, please refer to the section headed "Risks Factors" in the prospectus of the Group dated 6 July 2017 (the "**Prospectus**").

Financial risks

As a manufacturer of precast concrete junction boxes, the Group has to purchase raw materials from its suppliers from time to time based on its procurement policy. The Group relies on cash inflow from its customers to meet its payment obligations to our suppliers. The Group's cash inflow is dependent on the prompt settlement of its payments. The Group is exposed to credit risk and liquidity risk.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on 19 July 2017 on the GEM by Share Offer. The Offer Price was HK\$0.28 per Offer Share. The net proceeds received by the Company from the Share Offer, after deducting underwriting fees and other expenses, were approximately HK\$29.6 million.

The net proceeds from the Listing have not been fully utilised up to the date of report in accordance with the proposed applications set out in the section “Net Proceeds from The Share Offer” of the announcement “Offer Price and Allotment Results”. The table below lists out the applications of the net proceeds and usage up to the date of report.

During the review period, the Group has applied the net proceeds as follow:

	Net proceeds from the share offer	Amount utilised up to 30 November 2018	Unutilised balance up to 30 November 2018
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Expansion of production capacity through			
(i) expanding our Selangor Plant;	7.0	2.2	4.8 <i>Note b&d</i>
(ii) completing the establishment of our new Kulajaya Plant; and	7.3	1.1	6.2 <i>Note c&d</i>
(iii) recruiting new staff	2.6	0.3	2.3 <i>Note e</i>
Acquisition of a parcel of land in Southern Malaysia	8.4	—	8.4 <i>Note f</i>
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions	2.7	—	2.7 <i>Note g</i>
Expansion of our sales and marketing team	0.8	0.3	0.5 <i>Note h</i>
General working capital	0.8	0.8	—
Total	29.6	4.7	24.9

Notes:

- (a) The unused Listing proceeds have been deposited in licensed banks in Malaysia and Hong Kong.
- (b) A sum of approximately HK\$4.8 million has not been utilised as at 30 November 2018. The Group intends to use up this sum for expanding our Existing Selangor Plant by 30 November 2019.
- (c) A sum of approximately HK\$6.2 million has not been utilised as at 30 November 2018. The Group will use up this sum for completing the establishment of the New Kulaijaya Plant by 30 November 2019.
- (d) In view of the dropping in revenue in the manufacturing and trading of precast concrete junction boxes segment, the management of the Group have a reservation view over the current timetable to expand the Group's production capacity. The Group will closely monitor both the internal and the external factors and will decide on the expansion of production capacity in due course.
- (e) A sum of approximately HK\$2.3 million has not been utilised as at 30 November 2018. The Group intends to use up this sum by 30 November 2019.
- (f) A sum of approximately HK\$8.4 million has not been utilised as at 30 November 2018. The Group intends to use up this sum by 30 November 2019.
- (g) A sum of approximately HK\$2.7 million has not been utilised as at 30 November 2018. The Group intends to use up this sum by 30 November 2019. As at 30 November 2018, the Directors had not identified any acquisition target.
- (h) A sum of approximately HK\$0.5 million has not been utilised as at 30 November 2018. The Group intends to use up this sum by 30 November 2019.

The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

As at the date of this announcement, the Directors do not anticipate any change to the plan as to the use of proceeds.

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 officer 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 six months ended 30 November 2018, 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 subject 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).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 November 2018 and up to the date of the report, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

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 six months ended 30 November 2018 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 six months ended 30 November 2018.

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 and risk management 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 six months 30 November 2018 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**"), the compliance adviser of the Company, except for (i) RHB Capital's participation as the sole sponsor in relation to the listing of the Company; 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 30 November 2018.

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

Hong Kong, 14 January 2019

As at the date of this announcement, the Executive Director is Mr. Loh Swee Keong; the Independent Non-executive Directors are Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Ma She Shing Albert.