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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 29 FEBRUARY 2020**

**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 29 February 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

*For the nine months ended 29 February 2020*

	Note	For the three months ended		For the nine months ended	
		29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Revenue	3	6,378	5,959	20,032	20,898
Cost of sales		<u>(4,724)</u>	<u>(4,536)</u>	<u>(14,018)</u>	<u>(15,797)</u>
Gross profit		1,654	1,423	6,014	5,101
Other income		84	243	533	577
Administrative expenses		(1,941)	(2,510)	(7,013)	(6,535)
Selling and distribution expenses		(273)	(254)	(806)	(801)
Finance costs	4	<u>(21)</u>	<u>(4)</u>	<u>(134)</u>	<u>(12)</u>
Loss before taxation		(497)	(1,102)	(1,406)	(1,670)
Taxation	5	<u>(126)</u>	<u>(117)</u>	<u>(657)</u>	<u>(418)</u>
Loss for the period	6	<u>(623)</u>	<u>(1,219)</u>	<u>(2,063)</u>	<u>(2,088)</u>
Other comprehensive income items that will not be reclassified to profit or loss:					
Exchange differences arising on translation from functional currency to presentation currency		<u>80</u>	<u>122</u>	<u>66</u>	<u>356</u>
Total comprehensive loss for the period		<u><u>(543)</u></u>	<u><u>(1,097)</u></u>	<u><u>(1,997)</u></u>	<u><u>(1,732)</u></u>
Loss/Earnings per share					
— Basic (RM cents)	8	<u><u>(0.10)</u></u>	<u><u>(0.20)</u></u>	<u><u>(0.33)</u></u>	<u><u>(0.34)</u></u>

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

*For the nine months ended 29 February 2020*

	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	-	-	-	-	(2,088)	(2,088)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	356	-	356
Total comprehensive loss for the period	-	-	-	356	(2,088)	(1,732)
At 28 February 2019 (unaudited)	3,382	19,891	8,579	(618)	4,726	35,960
At 31 May 2019 (audited)	<b>3,382</b>	<b>19,891</b>	<b>8,579</b>	<b>(583)</b>	<b>4,165</b>	<b>35,434</b>
Loss for the period	-	-	-	-	(2,063)	(2,063)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	66	-	66
Total comprehensive loss for the period	-	-	-	66	(2,063)	(1,997)
At 29 February 2020 (unaudited)	<b>3,382</b>	<b>19,891</b>	<b>8,579</b>	<b>(517)</b>	<b>2,102</b>	<b>33,437</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 29 February 2020*

## 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 Room 1406-08, 14/F, Austin Tower, 22-26 Austin Avenue, Tsimshatsui, Kowloon, 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, Japanese catering service in Hong Kong and sourcing service of materials 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 29 February 2020 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 2019, 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.

## **Application of new and amendments to IFRSs**

In the current period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 June 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 — 2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

### ***2.1 Impacts and changes in accounting policies of application on IFRS 16 Leases***

The Group has applied IFRS 16 for the first time in the current period. IFRS 16 superseded IAS 17 Leases and the related interpretations.

#### ***2.1.1. Key changes in accounting policies resulting from application of IFRS 16***

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

##### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## **As a lessee**

### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

*Applies practical expedient and includes non-lease components in right-of-use assets/ lease liabilities*

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

*Excludes non-lease components*

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

#### *2.1.2 Transition and summary of effects arising from initial application of IFRS 16*

##### **Definition of a lease**

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 June 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 June 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.



When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RM2,522,000 and right-of-use assets of RM2,522,000 at 1 June 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.5%.

	<b>At 1 June 2019 RM'000</b>
Operating lease commitments disclosed as at 31 May 2019	<u>2,541</u>
Lease liabilities discounted at relevant incremental borrowing rates	<u>2,522</u>
Lease liabilities as at 1 June 2019	<u><u>2,522</u></u>
Analysed as	
Current	1,307
Non-current	<u>1,215</u>
	<u><u>2,522</u></u>

The carrying amount of right-of-use assets as at 1 June 2019 comprises the following:

	<b>Right-of-use assets RM'000</b>
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	<u>2,522</u>
	<u><b>2,522</b></u>
By class:	
Properties	<u>2,522</u>
	<u><b>2,522</b></u>

### 3. REVENUE

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

	For the three months ended		For the nine months ended	
	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Manufacturing and trading	4,689	3,848	14,770	13,428
Other building materials and services	1,021	1,379	2,983	5,213
Japanese catering services	665	732	2,191	2,257
Sourcing Services	3	-	88	-
	<u>6,378</u>	<u>5,959</u>	<u>20,032</u>	<u>20,898</u>

#### 4. FINANCE COSTS

	For the three months ended		For the nine months ended	
	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Interest expense on:				
Other facilities	-	2	1	5
Commitment fees	2	2	7	7
Lease liabilities interest	19	-	126	-
	<u>21</u>	<u>4</u>	<u>134</u>	<u>12</u>

#### 5. TAXATION

	For the three months ended		For the nine months ended	
	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Malaysia corporate income tax:				
Current period	126	117	657	418
Deferred tax	-	-	-	-
	<u>126</u>	<u>117</u>	<u>657</u>	<u>418</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 2019 and 29 February 2020 respectively. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the periods ended 28 February 2019 and 29 February 2020 respectively.

## 6. LOSS FOR THE PERIOD

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

	For the three months ended		For the nine months ended	
	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Auditor remuneration	178	150	534	403
Cost of inventories recognised as an expense	3,557	3,068	10,482	10,769
Staff costs, excluding directors' remuneration:				
– Salaries, wages and other benefits	676	1,291	3,208	3,952
– Contribution to EPF	70	103	219	299
	746	1,394	3,427	4,251
Minimum lease payments on:				
Factory	–	126	–	366
Crane	2	10	3	18
Shop	–	159	–	486
Staff accomodation	5	5	14	14
Office equipment	2	6	8	15
Depreciation on:				
Property, plant and equipment	234	173	693	506
Investment property	3	3	8	8
Amortisation of right of use assets	341	–	1,778	–
Unrealised loss/(gain) on foreign exchange	141	438	217	(235)
Interest income	(103)	(19)	(312)	(38)

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 29 February 2020 (2019: Nil).

## 8. LOSS PER SHARE

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

	For the three months ended		For the nine months ended	
	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)	29 February 2020 RM'000 (unaudited)	28 February 2019 RM'000 (unaudited)
Loss for the purpose of basic (loss)/earnings per share (loss)/profit for the period attributable to the owners	<u>(623)</u>	<u>(1,219)</u>	<u>(2,063)</u>	<u>(2,088)</u>
	Number share	Number share	Number share	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>620,000,000</u>

No diluted loss per share information has been presented for the period ended 28 February 2019 and 29 February 2020 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 29 February 2020 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 these telecommunication companies and TNB.

For the nine months ended 29 February 2020, the revenue of the Group decreased by approximately 4.14% due to the combined effect of an increase in the revenue generated from manufacturing and trading and a decrease in the revenue generated from the trading of accessories and pipes in the provision of mobile crane rental and ancillary services business.

Moreover, other factors which include labour shortage, dependency on foreign workers, the rising production and transportation costs and the outbreak of the COVID-19 epidemic may exert extreme pressure on the Group’s operations. It is expected that the operating results for 2020 will be adversely affected, though we are not yet able to reasonably quantify the potential magnitude of such impact on our financial performance at the time of this announcement. However, the management is confident that we will be able to continue to provide the best services and support to our customers during this difficult time. The Group will also strive its best endeavours to obtain new business and to diversify its portfolio to maintain a stable return to the shareholders. The Group remains cautiously optimistic about the overall business prospect in the long run.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately RM20.9 million for the nine months ended 28 February 2019 to approximately RM20.0 million for the nine months ended 29 February 2020, representing a decrease of approximately 4.14%. Such decrease was mainly due to the decrease in the revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue increased by approximately 9.99%, from approximately RM13.4 million for the period ended 28 February 2019 to approximately RM14.8 million for the period ended 29 February 2020.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 42.78%, from approximately RM5.2 million for the period ended 28 February 2019 to approximately RM3.0 million for the period ended 29 February 2020. The decrease was mainly caused by the decrease in sales of scrap iron and pipes.

For the Japanese catering services, the revenue slightly decreased by approximately 2.92%, from approximately RM2.3 million for the period ended 28 February 2019 to approximately RM2.2 million for the period ended 29 February 2020. The decrease is mainly due to the effect of COVID-19.

The Group is exploring opportunities in the diversification of business risk with a view to maximise returns to the Group and shareholders of the Company as a whole in the long run. The Group has expanded into sourcing services and generated approximately RM88,000 for the period ended 29 February 2020.

## **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 RM15.8 million for the nine months ended 28 February 2019 to approximately RM14.0 million for the nine months ended 29 February 2020, representing a decrease of approximately 11.26%. Such change was mainly attributable to the decrease in sales of trading of other building materials for the nine months ended 29 February 2020.

The Gross Profit increased from approximately RM5.1 million for the nine months ended 28 February 2019 to approximately RM6.0 million for the nine months ended 29 February 2020.

## **Administrative expenses**

Administrative expenses of the Group increased by approximately RM478,000 or approximately 7.31% from approximately RM6.5 million for the nine months ended 28 February 2019 to approximately RM7.0 million for the nine months ended 29 February 2020.

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 and amortisation of right of use assets.

## **Selling and distribution expenses**

Selling and distribution expenses of the Group slightly increased by approximately RM5,000 or 0.62% from approximately RM801,000 for the nine months ended 28 February 2019 to approximately RM806,000 for the nine months ended 29 February 2020.

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.



## **Loss for the period**

The Group recorded a net loss of approximately RM2.0 million for the nine months ended 29 February 2020 due to the net effect of (i) the increase in the administrative expenses incurred by the Group for the nine months ended 29 February 2020; (ii) the decrease in revenue of the Group for the nine months ended 29 February 2020; and (iii) the decrease in cost of sales of the Group for the nine months ended 29 February 2020.

## **SIGNIFICANT INVESTMENTS HELD**

During the nine months ended 29 February 2020, the Company did not have any significant investments held.

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the nine months ended 29 February 2020. 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 29 February 2020, 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

<b>Name of Director/ Chief Executive</b>	<b>Capacity/Nature of Interest</b>	<b>Number of Shares interested</b>	<b>Percentage of the Company's issued share capital as at 29 February 2020</b>
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 29 February 2020, 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 29 February 2020, 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 interested	Percentage of the Company's issued share capital as at 29 February 2020
Merchant World Investments Limited	Beneficial owner	238,620,000 (L) (Note 1)	38.49%
Ms. Woon Sow Sum (Note 2)	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 (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%
Mr. Fung Tak, Andrew	Beneficial owner	58,856,000 (L)	9.49%
Ms. Lo Pui Chu, Amy (Note 5)	Interest of spouse	58,856,000 (L)	9.49%
Mr. Fung Hong, Albert	Beneficial owner	55,804,000 (L)	9.00%
Ms. Cho Ka Lai (Note 6)	Interest of spouse	55,804,000 (L)	9.00%

*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 29 February 2020, 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 29 February 2020 (28 February 2019: 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.

However, the Directors will continue to monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 29 February 2020 (28 February 2019: 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 29 February 2020, 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.

During the nine months ended 29 February 2020, other than the share option scheme set out above, the Company did not enter into the other equity-linked agreement, nor did any other equity-linked agreement exist during the period under review.

As at 29 February 2020, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

## **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 29 February 2020 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 29 February 2020.

## **DIRECTOR'S AND CONTROLLING SHAREHOLDERS' 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, the unaudited condensed consolidated financial statements of the Group for the nine months ended 29 February 2020 and this announcement and is of the opinion that such statements and this announcement complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.



## **INTEREST OF THE COMPLIANCE ADVISER**

As notified by Ever-Long Securities Limited (“**Ever-Long**”), the compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Ever-Long dated 17 April 2019, neither Ever-Long nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Ever-Long 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 29 February 2020.

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

Hong Kong, 9 April 2020

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

*This announcement will remain on the “Latest Listed Company Information” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least seven days from the date of its publication. This announcement will also be published on the Company’s website at [www.targetprecast.com](http://www.targetprecast.com).*