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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 MAY 2021

CHARACTERISTICS OF 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 GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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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 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**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 May 2021 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2021

	<i>Notes</i>	2021 RM’000	2020 RM’000
Revenue	3	22,621	23,012
Cost of sales		<u>(17,089)</u>	<u>(16,330)</u>
Gross profit		5,532	6,682
Other income		628	945
Administrative expenses		(9,032)	(10,361)
Selling and distribution expenses		(1,206)	(1,007)
Finance costs	4	<u>(99)</u>	<u>(225)</u>
Loss before taxation	5	(4,177)	(3,966)
Taxation	6	<u>(676)</u>	<u>(462)</u>
Loss for the year		<u>(4,853)</u>	<u>(4,428)</u>
Other comprehensive loss item that may be reclassified subsequently to profit or loss: Exchange differences arising on translation of foreign operations		<u>(333)</u>	<u>320</u>
Total comprehensive loss for the year		<u>(5,186)</u>	<u>(4,108)</u>
			(Restated)
Loss per share:			
Basic (RM cent)	7	<u>(5.47)</u>	<u>(5.67)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2021

	<i>Notes</i>	2021 RM'000	2020 RM'000
Non-Current Assets			
Property, plant and equipment		4,932	4,133
Investment property		361	371
Right-of-use assets		1,720	3,649
Equity investment		22	561
Deferred tax assets		32	32
		<hr/>	<hr/>
Total Non-Current Assets		7,067	8,746
Current Assets			
Inventories	<i>9</i>	2,076	2,336
Receivables, deposits and prepayments	<i>10</i>	9,857	12,023
Amount owing from ultimate holding company		24	17
Amount owing from a shareholder		11	13
Tax recoverable		174	205
Short-term bank deposits	<i>11</i>	10,080	10,135
Cash on hand and at bank	<i>11</i>	13,121	12,712
		<hr/>	<hr/>
Total Current Assets		35,343	37,441
Current Liabilities			
Payables and accrued charges	<i>12</i>	7,152	6,532
Lease liabilities		425	2,360
		<hr/>	<hr/>
Total Current Liabilities		7,577	8,892
Net Current Assets		27,766	28,549
		<hr/>	<hr/>
Total Assets Less Current Liabilities		34,833	37,295
Non-Current Liabilities			
Lease liabilities		1,102	1,020
Deferred tax liabilities		143	167
		<hr/>	<hr/>
Total Non-Current Liabilities		1,245	1,187
		<hr/>	<hr/>
Net Assets		33,588	36,108
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2021 RM'000	2020 RM'000
Capital and Reserves			
Share capital	<i>13</i>	4,277	3,765
Reserves		29,311	32,343
		<hr/>	<hr/>
Total Equity		33,588	36,108
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 May 2021

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Accumulated loss <i>RM'000</i>	Total <i>RM'000</i>
At 1 June 2019	3,382	19,891	8,579	(583)	4,165	35,434
Loss for the year	-	-	-	-	(4,428)	(4,428)
Exchange differences arising on translation of foreign operations	-	-	-	320	-	320
Total comprehensive loss for the year	-	-	-	320	(4,428)	(4,108)
Issue of subscription shares by newly allotted ordinary shares	383	4,399	-	-	-	4,782
At 31 May 2020	<u>3,765</u>	<u>24,290</u>	<u>8,579</u>	<u>(263)</u>	<u>(263)</u>	<u>36,108</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>	Accumulated loss <i>RM'000</i>	Total <i>RM'000</i>
At 1 June 2020	3,765	24,290	8,579	(263)	(263)	36,108
Loss for the year	-	-	-	-	(4,853)	(4,853)
Exchange differences arising on translation of foreign operations	-	-	-	(333)	-	(333)
Total comprehensive loss for the year	-	-	-	(333)	(4,853)	(5,186)
Issue of subscription shares by newly allotted ordinary shares	512	2,154	-	-	-	2,666
At 31 May 2021	<u>4,277</u>	<u>26,444</u>	<u>8,579</u>	<u>(596)</u>	<u>(5,116)</u>	<u>33,588</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

SK Target Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liability on 28 October 2016 and its ordinary shares are listed on the GEM of The Stock Exchange of Hong Kong Limited since 19 July 2017. The addresses of the registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the IASB that are first effective for the current accounting period of the Group:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENTAL INFORMATION

(a) Disaggregation of revenue from contracts with customers under IFRS 15:

	Year ended 31 May 2021 Total RM'000	Year ended 31 May 2020 Total RM'000
Manufacturing and trading:		
Sales of manufactured goods	16,595	16,123
Other building materials and services:		
Sales of building materials	4,416	3,201
Rental of crane services	21	3
Japanese catering services	1,548	3,608
Sourcing services	41	77
	<u>22,621</u>	<u>23,012</u>
Total	<u>22,621</u>	<u>23,012</u>
Geographical market:		
Malaysia	21,032	19,327
China – Hong Kong	1,589	3,685
	<u>22,621</u>	<u>23,012</u>
Total	<u>22,621</u>	<u>23,012</u>
Timing of revenue recognition		
At point in time	22,600	23,009
Over time	21	3
	<u>22,621</u>	<u>23,012</u>
Total	<u>22,621</u>	<u>23,012</u>

Sales of manufactured goods and building materials

Revenue from sales of manufactured goods and building materials is recognised at a point in time when the manufactured goods and building materials are transferred to customers, being at the point that the customer obtains the control of the manufactured goods and building materials; and the Group has present right to payment and collection of the consideration is probable.

Rental of crane services

Revenue from rental of crane services is recognised over time, and the progress measured using the output method based on the amount the Group has right to invoice with application of practical expedient in IFRS 15: paragraph B16 as the Group has right to consideration from a customer in an amount corresponds directly with the value to the customer of the Group's performance completed to date. The rental of crane services are billed to client on daily basis.

Japanese catering services

The Group provides Japanese food on catering basis to customer. Revenue is recognised at point in time when the customer obtains the control of the food and catering services and the Group has present right to payment and collection of the consideration is probable.

Sourcing services

The Group acts as an agent when its performance obligation is to arrange for provision of specified materials by another party to customer. The Group does not control the specified materials. Therefore, the Group recognises revenue in the amount of commission to which it expects to be entitled in exchange for arranging for the specified materials to be provided by the other party.

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

The Group has applied practical expedient in IFRS 15: paragraph 121 (a) and (b) to not disclose the transaction price allocated to the remaining performance obligations which are part of contracts that have original expected duration of one year or less.

(c) Operating Segment

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.

(d) Sourcing services – provision of sourcing services.

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

Segment revenues and results

For the year ended 31 May 2021

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese catering services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Total <i>RM'000</i>
Revenue					
External sales	16,595	4,437	1,548	41	22,621
Inter-segment sales	5,964	591	-	-	6,555
Segment revenue	<u>22,559</u>	<u>5,028</u>	<u>1,548</u>	<u>41</u>	<u>29,176</u>
Elimination					<u>(6,555)</u>
Group revenue					<u>22,621</u>
Segment result	<u>4,169</u>	<u>482</u>	<u>861</u>	<u>20</u>	<u>5,532</u>
Administrative expenses					(9,032)
Selling and distribution expenses					(1,206)
Finance costs					(99)
Other income					<u>628</u>
Loss before taxation					<u><u>(4,177)</u></u>

For the year ended 31 May 2020

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese catering services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Total <i>RM'000</i>
Revenue					
External sales	16,123	3,204	3,608	77	23,012
Inter-segment sales	<u>5,272</u>	<u>564</u>	<u>-</u>	<u>-</u>	<u>5,836</u>
Segment revenue	<u>21,395</u>	<u>3,768</u>	<u>3,608</u>	<u>77</u>	<u>28,848</u>
Elimination					<u>(5,836)</u>
Group revenue					<u>23,012</u>
Segment result	<u>4,510</u>	<u>357</u>	<u>1,776</u>	<u>39</u>	<u>6,682</u>
Administrative expenses					(10,361)
Selling and distribution expenses					(1,007)
Finance costs					(225)
Other income					<u>945</u>
Loss before taxation					<u><u>(3,966)</u></u>

Segment results represents the profit from each segment without allocation of administrative expenses, selling and distribution expenses, finance costs, other income 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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 31 May 2021

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese Catering Services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Segment assets (liabilities) <i>RM'000</i>	Unallocated <i>RM'000</i>	Consolidated assets (liabilities) <i>RM'000</i>
Non-current assets	6,435	431	-	179	7,045	22	7,067
Current assets	22,024	8,420	619	2,861	33,924	1,419	35,343
Non-current liabilities	(1,245)	-	-	-	(1,245)	-	(1,245)
Current liabilities	<u>(6,055)</u>	<u>(745)</u>	<u>(219)</u>	<u>(80)</u>	<u>(7,099)</u>	<u>(478)</u>	<u>(7,577)</u>

As at 31 May 2020

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese Catering Services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Segment assets (liabilities) <i>RM'000</i>	Unallocated <i>RM'000</i>	Consolidated assets (liabilities) <i>RM'000</i>
Non-current assets	5,374	615	-	2,197	8,186	560	8,746
Current assets	21,619	6,763	1,881	5,384	35,647	1,794	37,441
Non-current liabilities	(869)	(159)	-	(159)	(1,187)	-	(1,187)
Current liabilities	<u>(5,028)</u>	<u>(345)</u>	<u>(474)</u>	<u>(2,253)</u>	<u>(8,100)</u>	<u>(792)</u>	<u>(8,892)</u>

All assets and liabilities are allocated to operating segments other than certain cash on hand and at bank, other payables, current and deferred tax assets and liabilities.

Other segment information

For the year ended 31 May 2021

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese catering services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Unallocated <i>RM'000</i>	Total <i>RM'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	1,731	15	-	-	-	1,746

For the year ended 31 May 2020

	Manufacturing and trading <i>RM'000</i>	Other building materials and services <i>RM'000</i>	Japanese catering services <i>RM'000</i>	Sourcing services <i>RM'000</i>	Unallocated <i>RM'000</i>	Total <i>RM'000</i>
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	317	14	-	-	-	331
Shop rental	-	-	495	-	-	495

Geographical information

The Group earns revenue from external customers in two main geographical areas:

- (i) Malaysia – manufacturing and trading; and other building material and services
- (ii) China – Hong Kong – Japanese catering services; and sourcing services

Information about the Group's revenue from external customers is presented based on the location of the operations, as follows:

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Malaysia	21,032	19,327
China – Hong Kong	1,589	3,685
	22,621	23,012

The following is an analysis of the carrying amount of segment assets, capital addition in respect of property, plant and equipment by the geographical areas in which the assets are located:

	Total assets		Capital addition property, plant and equipment	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	37,310	34,371	1,746	331
China – Hong Kong	3,659	9,462	–	–
Unallocated	1,441	2,354	–	–
	42,410	46,187	1,746	331

Information about major customers

No customer contributes over 10% of total revenue of the Group for the year ended 31 May 2021 and 31 May 2020.

4. FINANCE COSTS

	2021	2020
	RM'000	RM'000
Interest expense on:		
Leases liabilities	89	186
Other facilities	–	1
Commitment fees	10	38
	99	225

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging/ (crediting):

	2021	2020
	RM'000	RM'000
Auditors' remuneration	479	436
Cost of inventories recognised as an expense	16,101	12,219
Staff costs, excluding directors' remuneration:		
— Salaries, wages and other benefits	3,649	4,925
— Contributions to EPF	249	333
	3,898	5,258
Lease payments not included in the measurement of lease liabilities		
Crane	16	53
Shop	550	495
Office equipment	10	9
Office	–	264
Depreciation of:		
Property, plant and equipment	730	982
Investment property	10	10
Right-of-use assets	1,113	2,326
Allowance for credit losses:		
Trade receivables	2,229	764
Deposits paid	316	369
Allowance for credit losses no longer required	(83)	–
Rental income from investment property	–	(12)
Inventory written off	213	–
Bad debts written off	408	142
Unrealised (gain)/loss on foreign exchange	(277)	826
Government subsidies (<i>Note</i>)	(489)	–
Interest income on:		
Deposits at bank	(252)	(419)
Late payment from receivables	(1)	(246)
	=====	=====

Note:

During the year, the Group successfully applied for funding support from The Government of the HKSAR under Anti-Epidemic Fund for the purpose of relieving financial burden of the businesses operating in Hong Kong.

6. TAXATION

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Malaysia corporate income tax:		
Current year	608	524
Underprovision in prior years	92	10
Deferred tax		
Current year	(24)	(114)
Under provision in prior years	-	42
	(24)	(72)
	676	462

Malaysia corporate income tax is calculated at the statutory tax rate of 24% (2020: 24%) on the estimated assessable profits for each of the assessable year.

Hong Kong Profits Tax is calculated at a rate of 16.5% (2020:16.5%) of the estimated assessable profits for the year. Hong Kong Profits Tax has not been provided for the years ended 31 May 2021 and 2020 as there is no assessable profits for both years.

The taxation for the year can be reconciled to the loss before taxation as follows:

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Loss before taxation	(4,177)	(3,966)
Statutory tax rate	24%	24%
Taxation at applicable statutory tax rate	(1,003)	(951)
Tax saving of 7% (2020: 7%) (Note)	(28)	(84)
Tax effects of:		
Expenses not deductible for tax purpose	1,238	956
Income not taxable for tax purpose	(89)	-
Effect of different tax rate of entities operating in other jurisdictions	465	489
Deferred tax asset not recognised	1	-
Underprovision of income tax payable in prior years	92	10
Under provision of deferred tax in prior years	-	42
Taxation for the year	676	462

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 17% for the year ended 31 May 2021, on chargeable income amounting to RM600,000 or less (2020: RM500,000). For chargeable income in excess of RM600,000, the corporate income tax rate is 24% for the year ended 31 May 2020 and 31 May 2021 respectively.

7. LOSS PER SHARE

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

	2021	2020
	RM'000	RM'000
Loss for the purpose of basic loss per share:		
Loss for the year attributable to the owners of the Company	(4,853)	(4,428)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share (<i>note</i>)	88,720,900	78,060,500

Note:

The weighted average number of shares used in the calculation of basic loss per share for the years ended 31 May 2020 and 2021 has been adjusted for the effect of share consolidation which occurred subsequent to the end of the reporting period.

No diluted loss per share information has been presented for the years ended 31 May 2020 and 31 May 2021 as there were no potential ordinary shares outstanding during both years.

8. DIVIDENDS

The directors of the Company do not recommend the payment of dividend for the years ended 31 May 2020 and 31 May 2021.

9. INVENTORIES

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
At cost:		
Raw materials and consumables	772	750
Finished goods	<u>1,304</u>	<u>1,586</u>
	<u>2,076</u>	<u>2,336</u>

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Carrying amount of inventories sold	<u>16,101</u>	<u>12,219</u>

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Trade receivables	10,633	8,857
Less: Allowance for credit losses	<u>(2,988)</u>	<u>(870)</u>
	<u>7,645</u>	<u>7,987</u>
Other receivables	133	154
Deposits	2,014	3,177
Prepayments	<u>65</u>	<u>705</u>
	<u>9,857</u>	<u>12,023</u>

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 credit losses) presented based on the invoice date.

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
1-30 days	1,560	308
31-60 days	1,743	44
61-90 days	1,413	876
91-120 days	549	1,395
More than 120 days	2,380	5,364
	<u>7,645</u>	<u>7,987</u>

11. SHORT-TERM BANK DEPOSITS, CASH AND BANK BALANCES

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Current:		
Short-term bank deposits	10,080	10,135
Cash on hand and at bank	13,121	12,712
	<u>23,201</u>	<u>22,847</u>
Total	23,201	22,847
Less: Deposits pledged as security	(1,157)	(1,135)
	<u>22,044</u>	<u>21,712</u>

Short-term bank deposits of the Group have an average maturity ranging from 1 to 3 months. Bank balances are deposits held at with licensed banks.

The average interest rates of deposits of the Group are ranging from 1.49% to 3.65% (2020: 2.40% to 3.70%) per annum. Included in the short-term bank deposits are amounts totaling RM1,157,000 (2020: RM1,135,000) that have been pledged to secure general banking facilities granted to the Group.

12. PAYABLES AND ACCRUED CHARGES

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
Trade payables	4,904	3,341
Accrued charges	1,370	2,671
Other payables	465	328
Advance from customers	413	192
	<u>7,152</u>	<u>6,532</u>

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

	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
1-30 days	1,384	514
31-60 days	1,400	29
61-90 days	1,463	403
91-120 days	239	1,262
Over 120 days	418	1,133
	<u>4,904</u>	<u>3,341</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.

13. SHARE CAPITAL

	Number of shares '000	Share capital	
		<i>HK\$'000</i>	<i>RM'000</i>
Ordinary shares of HK\$0.01 each			
Authorised:			
At 1 June 2019, 31 May 2020 and 31 May 2021	<u>10,000,000</u>	<u>100,000</u>	
Issued and fully paid:			
1 June 2019	620,000	6,200	3,382
Issue of subscription shares by newly allotted ordinary shares (<i>note c</i>)	<u>68,200</u>	<u>682</u>	<u>383</u>
At 31 May 2020	<u>688,200</u>	<u>6,882</u>	<u>3,765</u>
Issue of subscription shares by newly allotted ordinary shares (<i>note c</i>)	<u>96,000</u>	<u>960</u>	<u>512</u>
At 31 May 2021	<u><u>784,200</u></u>	<u><u>7,842</u></u>	<u><u>4,277</u></u>

Notes:

- (a) Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, the authorised share capital was increased from HK\$380,000 comprising 38,000,000 shares at par value of HK\$0.01 each to HK\$100,000,000 comprising 10,000,000,000 shares of par value of HK\$0.01 each, by way of creation of an additional 9,962,000,000 shares at par value of HKD0.01 each.
- (b) On the same date, pursuant to the written resolutions passed by the shareholders of the Company, conditional upon the crediting of the Company's share premium account as a result of the issue of the public offer shares and the placing shares for the proposed initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited, the directors of the Company were authorised to capitalise an amount of HK\$4,399,000 (equivalent to approximately RM2,400,000) standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 439,990,000 shares for allotment and issue to the shareholders as of 27 June 2017 ("**Capitalisation**").

On 19 July 2017, the Company has successfully listed on the GEM of The Stock Exchange of Hong Kong Limited and made an offering of 162,000,000 new shares by way of placement and 18,000,000 new shares by public offering priced at HKD0.28 per share (“**Placement and public offering**”). On the same date, the Company has completed the capitalisation issue to the shareholders after the successful listing on the GEM of The Stock Exchange of Hong Kong Limited.

This has resulted in the issued and paid-up share capital increased from HKD100 comprising 10,000 shares at par value of HKD0.01 each to HK\$6,200,000 (equivalent to approximately RM3,382,000) comprising 620,000,000 shares at par value of HKD0.01 each.

- (c) On 4 March 2021 (after trading hours), the Company entered into the subscription agreements with the each of the Subscribers, pursuant to which the Company allotted and issued subscription shares comprising 96,000,000 ordinary shares at Par value of HK\$0.01 each. The gross proceeds were HK\$4,992,000 (equivalent to approximately RM2,666,000) based on the price of HK0.052 per share of which a sum of HK\$960,000 (equivalent to approximately RM512,000) has credited to share capital and the balance of HK\$4,032,000 (equivalent to approximately RM2,154,000) has credited to share premium account.

On 17 April 2020 (after trading hours), the Company entered into the subscription agreement with the subscriber, the Company allotted and issued subscription shares comprising 68,200,000 ordinary shares at par value of HK\$0.01 each. The gross proceeds were HK\$8,525,000 (equivalent to approximately RM4,782,000) based on the price of HK\$0.125 per share of which a sum of HK\$682,000 (equivalent to approximately RM383,000) has credited to share capital and the balance of HK\$7,843,000 (equivalent to approximately RM4,399,000) has credited to share premium account.

All ordinary shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

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.

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 our brand of “Target” in Malaysia. 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 the approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia (“**Telekom**”) since 2008 and the registered supplier of Tenaga Nasional Bhd. (“**TNB**”), the sole electric utility company, in Malaysia since 2012. Hence, the Group’s precast concrete junction boxes are used in infrastructure or construction projects involving telecommunication companies and TNB.

For the year ended 31 May 2021, the revenue of the Group decreased by approximately 1.70% the decrease is mainly due to the Japanese catering business had been facing difficult business environment in current year, such as series of anti-epidemic measures implemented which reduced the number of customers.

Moreover, other factors which include labour shortage and dependency on foreign workers, and the rising production and transportation costs have exerted 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 RM23.0 million for the year ended 31 May 2020 to approximately RM22.6 million for the year ended 31 May 2021, representing a drop of approximately 1.70%. Such decrease was mainly due to the decrease in the revenue generated from the Japanese catering business.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue increased by approximately 2.92%, from approximately RM16.1 million for the year ended 31 May 2020 to approximately RM16.6 million for the year ended 31 May 2021.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue increased by approximately 38.48%, from approximately RM3.2 million for the year ended 31 May 2020 to approximately RM4.4 million for the year ended 31 May 2021. The increase was mainly caused by the increase in sales of steel and pipes.

For the Japanese catering services, the revenue significant decreased by approximately 57.10%, from approximately RM3.6 million for the year ended 31 May 2020 to approximately RM1.5 million for the year ended 31 May 2021. The decrease is mainly due to the decrease is mainly due to the Japanese catering business had been facing difficult business environment in this year, such as series of anti-epidemic measures implemented which reduced the number of customers. The continuous outbreak of the COVID-19 throughout 2020 and series of anti-epidemic measures implemented causing substantial and adverse impacts on our Japanese catering business. In light of the unpredictability on how the COVID-19 will evolve, the management considers that it is no longer commercially attractive to engage in the Japanese catering business in Hong Kong and therefore considered to cease Japanese catering business subsequent to end of the reporting period.

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 increased from approximately RM16.3 million for the year ended 31 May 2020 to approximately RM17.1 million for the year ended 31 May 2021, representing an increase of approximately 4.65%.

The total cost of sales from the manufacturing and sale of precast concrete junction boxes decreased from approximately RM11.6 million for the year ended 31 May 2020 to approximately RM12.4 million for the year ended 31 May 2021.

The Gross Profit decreased from approximately RM6.7 million for the year ended 31 May 2020 to approximately RM5.5 million for the year ended 31 May 2021.

Administrative expenses

Administrative expenses of the Group decreased by approximately RM1.4 million or 12.83% from approximately RM10.4 million for the year ended 31 May 2020 to approximately RM9.0 million for the year ended 31 May 2021.

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 decrease was mainly attributable to better control on expenses.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately RM0.2 million or 19.76% from approximately RM1.0 million for the year ended 31 May 2020 to approximately RM1.2 million for the year ended 31 May 2021.

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

Loss for the year

The Group recorded a net loss of approximately RM4.9 million for the year ended 31 May 2021 (31 May 2020: approximately RM4.4 million) due to the net effect of (i) the decrease in revenue for the year ended 31 May 2021; (ii) the increase in cost of sales for the year ended 31 May 2021; and (iii) the decrease in the administrative expenses incurred by the Group for the year ended 31 May 2021.

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. As at 31 May 2021, the Group recorded trade receivables amounting to approximately RM7.6 million, the number of trade receivables turnover days was approximately 126 days which exceeded the credit period stipulated on the Group's service agreements with its customers with average trade payable turnover days of approximately 80 days. The Group is exposed to credit risk and liquidity risk.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 May 2021, the Group's cash and cash equivalents was approximately RM23.2 million (31 May 2020: approximately RM22.8 million).

As at 31 May 2021, the Group has no borrowings (31 May 2020: Nil).

As at 31 May 2021, the Group's current ratio was 4.66 (31 May 2020: 4.2), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was Nil as at 31 May 2021 and 31 May 2020, which is calculated based on the total interest-bearing loans divided by the total equity.

As at 31 May 2020 and 31 May 2021, the Group had no bank borrowings. 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

There has been no change in the capital structure of the Group during the year. The share capital of the Group only comprises of ordinary shares.

As at 31 May 2021, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM4.3 million and approximately RM29.3 million respectively (31 May 2020: RM3.8 million and RM32.3 million respectively).

CAPITAL COMMITMENTS

As at 31 May 2021, the Group has no capital commitments in respect of the acquisition of property, plant and equipment (31 May 2020: Nil).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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 in HKD 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 HKD, 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.

CHARGE OVER ASSETS OF THE GROUP

As at 31 May 2021, the Group had bank deposits pledged with banks totalling approximately RM1.2 million (31 May 2020: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD

As at 31 May 2021, the Company did not have any significant investments held.

MATERIAL ACQUISITIONS AND DISPOSALS, AND PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the year ended 31 May 2021. There is no specific future plan for material investments or capital assets as at the date of the announcement.

CONTINGENT LIABILITIES

As at 31 May 2020 and 31 May 2021, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2021, we had 69 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 a Director's and an employee's salary based on the Director's and the 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. The long term incentive scheme of the Group include a share option scheme.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds		
		to be raised (approximately)	Proposed use of net proceeds	Actual use of net proceeds
4 March 2021 and 7 March 2021 (completed on 11 March 2021)	Subscription of news Shares under general mandate granted on 25 November 2020	HK\$4,967,000	For general working capital of the Group	Used as intended

OTHER INFORMATION

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 year ended 31 May 2021.

DIRECTORS' 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 and the code of conduct regarding securities transactions by the Directors for the year ended 31 May 2021.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year and at any time during the year ended 31 May 2021.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at 31 May 2021, none of the Directors, nor the controlling shareholders of the Company and any of their respective close associates has any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

The controlling shareholders, namely Mr. Loh Swee Keong and the company through which he holds equity interests in the Company, namely Merchant World Investments Limited, have entered into a Deed of Non-Competition with the Company on 27 June 2017. The details of the Deed of Non-Competition have been disclosed in the Prospectus.

The controlling shareholders have confirmed with the Company that they had complied with the non-competition undertakings during the year ended 31 May 2021. The Directors (including the Independent Non-executive Directors) have reviewed and confirmed the compliance with the non-competition undertaking by the controlling shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Group has not established a corporate governance committee and thus the Board is responsible for performing the corporate governance duties set out in CG Code D.3.1 such as reviewing and determining the policies and practices on corporate governance of the Group, developing the Group's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements.

The Board held meetings from time to time whenever necessary. To enable all the Directors to participate in the meetings, the Company ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner. Notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. Draft minutes of Board meeting shall be circulated to all Directors for comments prior to confirmation of the minutes. The signed minutes are kept by the Company Secretary. Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board documents and related materials so that they are able to make an informed decision.

Pursuant to article 108 (a) of the articles of association of the Company (the “**Articles**”), at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Loh Swee Keong and Mr. Ma, She Shing Albert shall retire at the 2021 AGM and being eligible, offer themselves for re-election.

Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent Non-executive Directors is required to inform the Group as soon as practicable if there is any change that may affect his/her independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these Independent Non-executive Directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. 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 circumstance.

CORPORATE GOVERNANCE PRACTICES

The Board and the senior management of the Group is committed to achieve a high standard of corporate governance, to formulate good corporate governance practices for improving the accountability and transparency in operations, and to strengthen the internal control and risk management systems from time to time so as to protect the rights of the shareholders and enhance shareholder value. The Directors consider that good corporate governance provides a framework that is crucial for effective management, successful business growth and a healthy corporate culture which in return benefits the Group's stakeholders as a whole.

The Board has adopted and save as disclosed in the following paragraph complied with the principles and code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules. The Directors will continue to review and monitor its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Group.

Under the code provision A.2.1 of the CG Code, the role of chairman and chief executive 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 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 circumstance.

Save as disclosed above, during the year in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognised its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meet the required standards and ethics in respect of environmental protection.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that our employees, customers and suppliers are key stakeholders to the Group's success. The Group strive to achieve corporate sustainability through engaging employees, providing quality products and services to our customers, collaborating with suppliers to deliver quality sustainable products and services and supporting our community.

SUBSEQUENT EVENTS AFTER REPORTING PERIOD

Subsequently on 16 August 2021, an ordinary resolution was passed on share consolidation ("**Share Consolidation**"), pursuant to it, every 8 issued and unissued existing shares of par value HK\$0.01 each in the share capital of the Company would be consolidated into 1 consolidated share of par value HK\$0.08 each ("**Consolidated Share**") in the share capital of the Company. Immediately after the Share Consolidation becoming effective on 18 August 2021, the authorised share capital of the Company would become HK\$100,000,000 divided into 1,250,000,000 Consolidated Shares of HK\$0.08 each, of which 98,025,000 Consolidated Shares (which are fully paid or credited as fully paid) would be in issue.

With reference to the announcement dated on 18 August 2021 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company will allot and issue, and the Subscriber will subscribe for, an aggregate of 5,205,000 Subscription Shares at the Subscription Price at HK\$0.36. The total subscription amount payable by the Subscriber to the Company pursuant to the Subscription Agreement amounts to HK\$1,873,800. The Subscription has not yet completed up to the date of the announcement.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 May 2021 and the state of the affairs of the Group as at that date are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 2.

The Board does not recommend the payment of final dividend for the year ended 31 May 2021 (2020: Nil).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM to be held on Wednesday, 24 November 2021, the register of members of the Company will be closed from Friday, 19 November 2021 to Wednesday, 24 November 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2021 AGM or any adjournment thereof, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investors Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 18 November 2021.

AUDIT COMMITTEE

The Group established the Audit Committee on 27 June 2017 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 Audit Committee currently consists of three Independent Non-executive Directors 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.

For the year ended 31 May 2021, 4 meetings have been held for the Audit Committee and all the members of the Committee attended the meetings. The unaudited consolidated financial statements of the Group for the period ended 31 August 2020, 30 November 2020 and 28 February 2021; and the audited consolidated financial statements of the Group for the year ended 31 May 2021 have been reviewed by the Audit Committee.

AUDITORS

There was no change in auditor since the Listing Date except that with effect from 29 May 2020, Deloitte Plt (LLP0010145-LCA) resigned as auditor of the Company on the ground that it could not reach a mutual consensus with the Company on the audit fees for financial year ended 31 May 2020. Crowe (HK) CPA Limited (“**Crowe**”) has been appointed as the auditor of the Company with effect from 1 June 2020 to fill the casual vacancy following the resignation of Deloitte Plt.

The financial statements for the year ended 31 May 2020 and 31 May 2021 have been audited by Crowe who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe as auditor of the Company will be proposed at the forthcoming AGM.

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

Hong Kong, 27 August 2021

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.targetprecast.com.