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**SK TARGET GROUP LIMITED**  
**瑞強集團有限公司**

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

**(Stock Code: 8427)**

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS  
FOR THE THREE MONTHS ENDED 31 AUGUST 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 & 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 of Hong Kong Limited (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 August 2021 together with the unaudited comparative figures for the corresponding period in 2020 as follows:

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

*For the three months ended 31 August 2021*

		<b>Three months ended</b>	
		<b>31 August</b>	
		<b>2021</b>	2020
	<i>Note</i>	<b>RM’000</b>	<i>RM’000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>			
Revenue	3	<b>2,628</b>	4,766
Cost of sales		<u><b>(2,701)</b></u>	<u>(3,843)</u>
Gross (loss) profit		<b>(73)</b>	923
Other income		<b>80</b>	153
Administrative expenses		<b>(989)</b>	(966)
Selling and distribution expenses		<b>(207)</b>	(216)
Finance costs	4	<u><b>(20)</b></u>	<u>(39)</u>
Loss before taxation		<b>(1,209)</b>	(145)
Taxation	5	<u><b>(1)</b></u>	<u>(125)</u>
Loss for the period from continuing operations	6	<b>(1,210)</b>	(270)
<b>Discontinued operation</b>			
Profit for the period from discontinued operation		<u><b>40</b></u>	<u>15</u>
Loss for the period		<u><b>(1,170)</b></u>	<u>(255)</u>

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2021</b>	2020
<i>Note</i>	<b><i>RM'000</i></b>	<i>RM'000</i>
	<b>(unaudited)</b>	(unaudited)
Other comprehensive profit (loss) items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	<u>10</u>	<u>(279)</u>
Total comprehensive loss for the period	<u><b>(1,160)</b></u>	<u>(534)</u>
(Loss) earnings per share		(Restated)
Basic ( <i>RM cents</i> )	8	
From continuing operations	<b>(1.23)</b>	(0.31)
From discontinued operation	<u><b>0.04</b></u>	<u>0.02</u>

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

*For the three months ended 31 August 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>	Retained profits/ (Accumulated loss) <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2020 (audited)	3,765	24,290	8,579	(263)	(263)	36,108
Loss for the period	-	-	-	-	(255)	(255)
Exchange differences arising on translation of foreign operations	-	-	-	(279)	-	(279)
Total comprehensive loss for the period	-	-	-	(279)	(255)	(534)
At 31 August 2020 (unaudited)	3,765	24,290	8,579	(542)	(518)	35,574
At 31 May 2021 (audited)	4,277	26,444	8,579	(596)	(5,116)	33,558
Loss for the period	-	-	-	-	(1,170)	(1,170)
Exchange differences arising on translation of foreign operations	-	-	-	10	-	10
Total comprehensive loss for the period	-	-	-	10	(1,170)	(1,160)
At 31 August 2021 (unaudited)	<u>4,277</u>	<u>26,444</u>	<u>8,579</u>	<u>(586)</u>	<u>(6,286)</u>	<u>32,428</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 August 2021*

## 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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 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 three months ended 31 August 2021 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 2021, except for the new and revised IFRSs, which are effective for the financial year beginning on or after 1 June 2021. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

### Application of new and revised IFRSs

During the period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 June 2021. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the current and prior accounting periods.

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial period beginning 1 June 2021. The Directors anticipate that the new and revised IFRSs will be adopted in the Group's unaudited condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE

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

	Three months ended	
	31 August	
	2021	2020
	RM'000	RM'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Manufacturing and trading	2,010	3,677
Other building materials and services	614	1,067
Sourcing services	4	22
	<u>2,628</u>	<u>4,766</u>

### 4. FINANCE COSTS

	Three months ended	
	31 August	
	2021	2020
	RM'000	RM'000
	(unaudited)	(unaudited)
<b>Continuing operations</b>		
Interest expense on:		
Commitment fees	2	2
Leased liabilities interest	18	37
	<u>20</u>	<u>39</u>

## 5. TAXATION

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Continuing operations</b>		
Malaysia corporate income tax:		
Current period	<b>1</b>	<b>125</b>
Deferred tax	<b>-</b>	<b>-</b>
	<b>1</b>	<b>125</b>

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 period.

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

## 6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Three months ended	
	31 August	
	2021	2020
	RM'000	RM'000
	(unaudited)	(unaudited)
Auditor remuneration	84	84
Cost of inventories recognised as an expense	1,938	2,812
Staff costs, excluding directors' remuneration:		
– Salaries, wages and other benefits	601	659
– Contribution to EPF	51	55
	652	714
Lease payments not included in the measurement of lease liabilities:		
Crane	4	5
Office equipment	–	4
Depreciation on:		
Property, plant and equipment	190	171
Investment property	1	3
Right-of-use assets	166	159
Unrealised loss/(gain) on foreign exchange	35	(220)
Interest income	(81)	(94)

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 August 2021 (2020: Nil).

## 8. (LOSS) EARNINGS PER SHARE

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

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2021</b>	2020
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
Loss (earnings) for the purpose of calculating basic loss per share:		
Loss for the period attributable to the owners of the Company		
– From continuing operations	<b>(1,210)</b>	(270)
– From discontinued operation	<b>40</b>	15
	<b><u>40</u></b>	<u>15</u>
	<b>Number of</b>	Number of
	<b>shares</b>	shares
Weighted average number of ordinary shares for the purpose of calculating basic loss (earnings) per share ( <i>note</i> )	<b><u>98,025,000</u></b>	<u>86,025,000</u>

*Note:*

The Weighted average number of shares used in the calculation of basic (loss) earnings per share for the periods ended 31 August 2020 and 2021 has been adjusted for the effect of share consolidation which became effective on 18 August 2021.

No diluted (loss) earnings per share information has been presented for the periods ended 31 August 2020 and 31 August 2021 as the Company has no potential ordinary shares outstanding during both periods ended.

## 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 (“**Telekom**”) since 2008 and registered supplier of Tenaga National Bhd. (“**TNB**”), the only electric utility company, in Malaysia since 2012. Hence, the Group’s precast concrete junction boxes can be used in infrastructure or construction projects involving the telecommunication companies and TNB.

The COVID-19 pandemic continues to affect the global market. Due to the rising number of COVID-19 diagnosed cases, the Malaysian Government has implemented series of anti-epidemic measures from time to time to control the spread of COVID-19. On 1 June 2021, the Malaysian Government enforced the third movement control order (the “**MCO 3.0**”) where the country was placed under a full lockdown for two weeks. It was subsequently extended to 28 June 2021. During this period, only essential economic and social services sectors listed by the National Security Council would be allowed to operate. It caused substantial and adverse impact on our manufacturing and trading of precast concrete junctions boxes business as our customers’ projects were suspended or delayed.

Strict compliance of COVID-19 standard operating procedures (the “**SOP**”) caused temporary labour shortage not just to us but also to our customers and suppliers, hence the construction or production speed was slow across the sector. The continuous increase in the price of raw materials, including steel bar and concrete has also caused negative impact on our profitability.

In light of the unpredictability on how the COVID-19 will evolve, the management of the Group considered that it is no longer commercial attractive to engage in the Japanese catering business in Hong Kong and therefore considered to cease Japanese catering business early in the first quarter in order to consolidate resources for continuing operations or other business opportunities.

For the three months ended 31 August 2021, the revenue of the Group decreased by approximately 44.86% due to decrease in the revenue generated from the manufacturing and trading of precast concrete junction boxes business affected by the outbreak of the COVID-19, MCO 3.0 and SOP.

The management of the Group will closely monitor on factors including labour shortage, dependency on foreign workers, and the rising production and transportation cost that may exert pressure on the Group's business operations.

With the introduction of the national COVID-19 immunisation programme, the Malaysian Government is putting significant effort to ensure as many Malaysia resident to receive vaccine as possible in the shortest time, the management is of the view that Malaysia's economy will slowly recover and remains cautiously optimistic about the overall business prospects.

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately RM4.8 million for the three months ended 31 August 2020 to approximately RM2.6 million for the three months ended 31 August 2021, representing a decrease of approximately 44.86%. Such decrease was mainly due to the decrease of the manufacturing and trading of precast concrete junction boxes business.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue decreased by approximately 45.34%, from approximately RM3.7 million for the period ended 31 August 2020 to approximately RM2.0 million for the period ended 31 August 2021.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 42.46%, from approximately RM1.1 million for the period ended 31 August 2020 to approximately RM0.6 million for the period ended 31 August 2021. The decrease was mainly caused by the decrease in sales of steels.

The sourcing services of materials has contributed a small portion to the Group's revenue.

## **Cost of sales and Gross (Loss) Profit**

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; and crane hiring costs. The cost of sales decrease from approximately RM3.8 million for the three months ended 31 August 2020 to approximately RM2.7 million for the three months ended 31 August 2021, representing a decrease of approximately 29.72%. Such change was due to the decrease in revenue of manufacturing and trading of precast concrete junction boxes business during the period ended 31 August 2021.

The gross profit decreased from approximately RM0.9 million for the three months ended 31 August 2020 to approximately a gross loss of RM73,000 for the three months ended 31 August 2021.

## **Administrative expenses**

Administrative expenses of the Group slightly increased by approximately RM23,000 or 2.38% from approximately RM966,000 for the three months ended 31 August 2020 to approximately RM989,000 for the three months ended 31 August 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.

## **Selling and distribution expenses**

Selling and distribution expenses of the Group decreased by approximately RM9,000 or 4.17% from approximately RM216,000 for the three months ended 31 August 2020 to approximately RM207,000 for the three months ended 31 August 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 decrease of selling and distribution expenses was mainly due to the decrease in commission.

## **Loss for the period from continuing operations**

The Group recorded a net loss of approximately RM1.2 million for the three months ended 31 August 2021 mainly due to the decrease in revenue of the Group caused by COVID-19, MCO 3.0 and SOP for the three months ended 31 August 2021.

## **SUBSEQUENT EVENTS AFTER REPORTING PERIOD**

Reference is made to the announcements of the Company dated on 18 August 2021 and 19 August 2021, 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 was completed on 1 September 2021.

## **SHARE CONSOLIDATION AND CHANGE IN BOARD LOT SIZE**

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. The board lot size for trading on the Stock Exchange has changed from 8,000 Consolidated Shares to 6,000 Consolidation Shares upon to the effective date of Share Consolidation.

## **SIGNIFICANT INVESTMENTS HELD**

During the three months ended 31 August 2021, the Company did not have any significant investments held.

## **MATERIAL 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 three months ended 31 August 2021. 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 31 August 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of issued ordinary shares held/ interested	Approximate percentage of issued share capital of the Company
Mr. Loh Swee Keong ( <i>Note 2</i> )	Interest in controlled corporation	29,827,500 (L) ( <i>Note 1</i> )	30.43%

*Notes:*

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

Save for disclosed above, as at 31 August 2021, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 August 2021, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

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

<b>Name of Director/ Chief Executive</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of shares held/ interested</b>	<b>Approximate percentage of share holding</b>
Merchant World Investments Limited	Beneficial owner	29,827,500 (L) (Note 1)	30.43%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	29,827,500 (L)	30.43%
Greater Elite Holdings Limited	Beneficial owner	13,622,500 (L)	13.90%
Mr. Law Fung Yuen Paul (Note 3)	Interest in controlled corporation	13,622,500 (L)	13.90%
Ms. Cheng Lai Wah Christina (Note 4)	Interest of spouse	13,622,500 (L)	13.90%

*Notes:*

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

Save for disclosed above, as at 31 August 2021, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

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

#### **FOREIGN CURRENCY RISK**

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

#### **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 August 2021.

## FUNDRAISING 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\$4.96 million	For general working capital of the Group	Used as intended
18 August 2021 and 19 August 2021 (completed on 1 September 2021)	Subscription of news Shares under general mandate granted on 25 November 2020	HK\$1.85 million	For general working capital of the Group	Used as intended (up to report date)

## CORPORATE GOVERNANCE PRACTICES

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

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

Save as disclosed above, for the three months ended 31 August 2021, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

During the three months ended 31 August 2021, other than the share option scheme is 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 31 August 2021, no share option was 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 three months ended 31 August 2021 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 August 2021.

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

During the three months ended 31 August 2021, 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 or any other conflicts of interest which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

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

The Audit Committee currently consists of three members namely, Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Ma, She Shing Albert. The chairman of the Audit Committee is Mr. Chu Kin Ming.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2021 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

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

Hong Kong, 13 October 2021

*As at the date of this announcement, the Board comprises one Executive Directors, 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](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).*