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SK TARGET GROUP LIMITED

瑞強集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8427)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2020

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GEM has been positioned as a market designed to accommodate small & med-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.

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INTERIM RESULTS

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 November 2020 (the “**Interim Financial Statements**”) 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

For the three months and six months ended 30 November 2020

	Note	Three months ended 30 November		Six months ended 30 November	
		2020 RM'000 (unaudited)	2019 RM'000 (unaudited)	2020 RM'000 (unaudited)	2019 RM'000 (unaudited)
Revenue	4	5,787	6,782	10,981	13,654
Cost of sales		<u>(3,914)</u>	<u>(4,639)</u>	<u>(7,915)</u>	<u>(9,294)</u>
Gross profit		1,873	2,143	3,066	4,360
Other income		227	197	516	449
Administrative expenses		(2,389)	(2,715)	(3,746)	(5,072)
Selling and distribution expenses		(233)	(275)	(449)	(533)
Finance costs	5	<u>(14)</u>	<u>(58)</u>	<u>(53)</u>	<u>(113)</u>
Loss before taxation		(536)	(708)	(666)	(909)
Taxation	7	<u>(247)</u>	<u>(273)</u>	<u>(372)</u>	<u>(531)</u>
Loss for the period	6	(783)	(981)	(1,038)	(1,440)
Other comprehensive loss items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>(136)</u>	<u>(34)</u>	<u>(415)</u>	<u>(14)</u>
Total comprehensive loss for the period		<u><u>(919)</u></u>	<u><u>(1,015)</u></u>	<u><u>(1,453)</u></u>	<u><u>(1,454)</u></u>
Loss per share					
– Basic (RM cents)	8	<u><u>(0.11)</u></u>	<u><u>(0.16)</u></u>	<u><u>(0.15)</u></u>	<u><u>(0.23)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2020

		30 November 2020	31 May 2020
	<i>Note</i>	RM'000	RM'000
		(unaudited)	(audited)
Non-Current Assets			
Property, plant and equipment		3,788	4,133
Investment property		366	371
Right of use assets		1,200	3,649
Equity investment		368	561
Deferred tax assets		32	32
		<hr/>	<hr/>
Total Non-Current Assets		5,754	8,746
		<hr/>	<hr/>
Current Assets			
Inventories		2,091	2,336
Receivables, deposits and prepayment	<i>10</i>	12,157	12,023
Amount owing from ultimate holding company	<i>11</i>	17	17
Amount owing from a shareholder	<i>11</i>	11	13
Tax recoverable		111	205
Short-term bank deposits	<i>12</i>	9,000	10,135
Cash on hand and at bank		13,605	12,712
		<hr/>	<hr/>
Total Current Assets		36,992	37,441
		<hr/>	<hr/>
Current Liabilities			
Payables and accrued charges	<i>13</i>	6,954	6,532
Leased liabilities		249	2,360
Tax payable		43	–
		<hr/>	<hr/>
		7,246	8,892
		<hr/>	<hr/>
Net Current Assets		29,746	28,549
		<hr/>	<hr/>
Total Assets Less Current Liabilities		35,500	37,295
		<hr/>	<hr/>

		30 November	31 May
		2020	2020
	<i>Note</i>	RM'000	RM'000
		(unaudited)	(audited)
Non-Current Liabilities			
Leased liabilities		702	1,020
Deferred tax liabilities		143	167
		<hr/>	<hr/>
Total Non-Current Liability		845	1,187
		<hr/>	<hr/>
Net Assets		34,655	36,108
		<hr/> <hr/>	<hr/> <hr/>
Capital and Reserves			
Share capital	<i>14</i>	3,765	3,765
Reserve		30,890	32,343
		<hr/>	<hr/>
Total Equity		34,655	36,108
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 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 2019 (audited)	3,382	19,891	8,579	(583)	4,165	35,434
Loss for the period	-	-	-	-	(1,440)	(1,440)
Exchange differences arising on translation of foreign operations	-	-	-	(14)	-	(14)
Total comprehensive loss for the period	-	-	-	(14)	(1,440)	(1,454)
At 30 November 2019 (unaudited)	<u>3,382</u>	<u>19,891</u>	<u>8,579</u>	<u>(597)</u>	<u>2,725</u>	<u>33,980</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 losses <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	-	-	-	-	(1,038)	(1,038)
Exchange differences arising on translation of foreign operations	-	-	-	(415)	-	(415)
Total comprehensive loss for the period	-	-	-	(415)	(1,038)	(1,453)
At 30 November 2020 (unaudited)	<u>3,765</u>	<u>24,290</u>	<u>8,579</u>	<u>(678)</u>	<u>(1,301)</u>	<u>34,655</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2020

	Six months ended	
	30 November	
	2020	2019
	RM'000	RM'000
	(unaudited)	(unaudited)
Net Cash Generated From Operating Activities	550	665
INVESTING ACTIVITIES		
Interest received	171	209
Purchase of property, plant and equipment	(13)	(306)
Decrease (Increase) in pledged short-term bank deposits	69	(106)
Net Cash Generated From (Used In) Investing Activities	227	(203)
FINANCING ACTIVITIES		
Finance costs paid	(5)	(5)
Capital element on lease rental paid	(847)	(1,202)
Interest element on lease rental paid	(48)	(108)
NET CASH USED IN FINANCING ACTIVITIES	(900)	(1,315)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(123)	(853)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	21,712	19,909
Effects of exchange differences	(50)	(88)

	Six months ended	
	30 November	
	2020	2019
	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,539	18,968
REPRESENTED BY:		
Current:		
Short-term bank deposits	9,000	9,140
Cash on hand and at bank	13,605	10,968
	<hr/>	<hr/>
Total	22,605	20,108
Less: Deposits pledged as security	(1,066)	(1,140)
	<hr/>	<hr/>
Cash and cash equivalents	21,539	18,968
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 November 2020

1. GENERAL INFORMATION

SK Target Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liability on 28 October 2016. 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 service and sourcing service of materials in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 November 2020 (the “**Interim Financial Statements**”) have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 May 2020 (the “**2020 Annual Financial Statements**”) , except for the adoption of the new and revised IFRSs which are effective for the financial year begin on or after 1 June 2020. The adoption of the new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required. The Group has not early adopted any new and revised IFRSs that has been issued but not yet effective in the current accounting period. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Annual Financial Statements.

The Interim Financial Statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values. The Interim Financial Statements are presented in Malaysian Ringgit (“**RM**”), which is also the functional currency of the Company. All values are rounded to nearest thousands (RM’000), unless otherwise stated.

3. ESTIMATES

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2020 Annual Financial Statements.

4. REVENUE AND SEGMENTAL INFORMATION

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

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

Six months ended 30 November 2020 (unaudited)

	Manufacturing and trading RM'000	Other building materials and services RM'000	Japanese catering services RM'000	Sourcing services RM'000	Total RM'000
Revenue					
External sales	8,000	2,016	943	22	10,981
Inter-segment sales	<u>2,792</u>	<u>292</u>	<u>-</u>	<u>-</u>	<u>3,084</u>
Segment revenue	<u>10,792</u>	<u>2,308</u>	<u>943</u>	<u>22</u>	<u>14,065</u>
Elimination					<u>(3,084)</u>
Group revenue					<u>10,981</u>
Segment result	<u>2,273</u>	<u>203</u>	<u>581</u>	<u>9</u>	<u>3,066</u>
Administrative expenses					(3,746)
Selling and distribution expenses					(449)
Finance costs					(53)
Other income					<u>516</u>
Loss before taxation					<u><u>(666)</u></u>

Six months ended 30 November 2019 (unaudited)

	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	10,082	1,961	1,527	84	13,654
Inter-segment sales	<u>3,403</u>	<u>358</u>	<u>-</u>	<u>-</u>	<u>3,761</u>
Segment revenue	<u>13,485</u>	<u>2,319</u>	<u>1,527</u>	<u>84</u>	<u>17,415</u>
Elimination					<u>(3,761)</u>
Group revenue					<u>13,654</u>
Segment result	<u>3,213</u>	<u>222</u>	<u>885</u>	<u>40</u>	<u>4,360</u>
Administrative expenses					(5,072)
Selling and distribution expenses					(533)
Finance costs					(113)
Other income					<u>449</u>
Loss before taxation					<u><u>(909)</u></u>

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

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

5. FINANCE COSTS

	Three months ended		Six months ended	
	30 November		30 November	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Interest expense on:				
Other facilities	–	1	–	1
Commitment fees	2	2	5	5
Leased liabilities interest	12	55	48	107
	<u>14</u>	<u>58</u>	<u>53</u>	<u>113</u>

6. LOSS FOR THE PERIOD

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

	Three months ended		Six months ended	
	30 November		30 November	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Auditor remuneration	109	178	219	356
Cost of inventories recognised as an expense	2,910	3,412	5,880	6,925
Staff costs, excluding Directors' remuneration:				
– Salaries, wages and other benefits	915	1,226	1,724	2,532
– Contribution to EPF	64	55	123	148
	979	1,281	1,847	2,680
Lease payments not included in the measurement of lease liabilities:				
Crane	5	4	10	4
Shop	162	–	264	–
Staff accommodation	–	5	–	10
Office equipment	2	4	6	6
Depreciation on:				
Property, plant and equipment	171	294	342	460
Investment property	3	3	5	5
Right-of-use assets	155	779	770	1,436
Unrealised loss/(gain) on foreign exchange	(639)	15	(859)	75
Interest income	(76)	(138)	(171)	(209)

7. TAXATION

	Three months ended		Six months ended	
	30 November		30 November	
	2020	2019	2020	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Malaysia corporate income tax:				
Current period	247	273	372	531
Deferred tax	—	—	—	—
	<u>247</u>	<u>273</u>	<u>372</u>	<u>531</u>

Malaysia corporate income tax rate is calculated at the statutory tax rate of 24% (2019: 24%) on the estimated assessable profits for each of the assessable period.

Hong Kong Profit Tax is calculated at rate of 16.5% (2019: 16.5%) of the estimated assessable profits each of the assessable period. Hong Kong tax has not been provided for both periods as there is no assessable profits for both periods.

8. LOSS PER SHARE

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

	Three months ended		Six months ended	
	30 November		30 November	
	2020	2019	2020	2019
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Loss for the purpose of calculating basic loss per share for the period attributable to the owners of the Company	<u>(0.11)</u>	<u>(0.16)</u>	<u>(0.15)</u>	<u>(0.23)</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>688,200,000</u>	<u>620,000,000</u>	<u>688,200,000</u>	<u>620,000,000</u>

No diluted loss per share information has been presented for the six months ended 30 November 2019 and 2020 as the Company has no potential ordinary shares outstanding during both periods.

9. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 November 2020 (30 November 2019: Nil).

10. RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 November 2020 RM'000 (unaudited)	31 May 2020 RM'000 (audited)
Trade receivables	10,038	8,857
Less: Allowance for credit losses	(1,246)	(870)
	8,792	7,987
Other receivables	213	154
Deposits	2,527	3,177
Prepayments	625	705
	12,157	12,023

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.

	30 November 2020 RM'000 (unaudited)	31 May 2020 RM'000 (audited)
1–30 days	1,730	308
31–60 days	1,061	44
61–90 days	1,216	876
91–120 days	1,609	1,395
More than 120 days	3,176	5,364
	8,792	7,987

11. AMOUNTS OWING FROM ULTIMATE HOLDING COMPANY AND A SHAREHOLDER

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

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

12. SHORT TERM BANK DEPOSITS

Short-term bank deposits of the Group have an average maturity ranging from 1 to 3 months. The average interest rates of deposits of the Group are ranging from 2.40% to 3.70% and ranging from 2.13% to 2.95% per annum as at 31 May 2020 and 30 November 2020 respectively. Included in the short-term bank deposits are amounts totaling RM1,135,000 and RM1,066,000 that have been pledged to secure general banking facilities granted to the Group as at 31 May 2020 and 30 November 2020 respectively.

13. PAYABLES AND ACCRUED CHARGES

	30 November 2020 RM'000 (unaudited)	31 May 2020 RM'000 (audited)
Trade payables	3,726	3,341
Accrued charges	2,549	2,671
Other payables	263	328
Advance from customers	416	192
	<u>6,954</u>	<u>6,532</u>

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

	30 November 2020 RM'000 (unaudited)	31 May 2020 RM'000 (audited)
1-30 days	1,044	514
31-60 days	973	29
61-90 days	942	403
91-120 days	575	1,262
Over 120 days	192	1,133
	<u>3,726</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.

14. 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 31 May 2020 and at 30 November 2020	<u>10,000,000</u>	<u>100,000</u>	
Issued and fully paid:			
At 31 May 2020 and at 30 November 2020	<u><u>688,200</u></u>	<u><u>6,882</u></u>	<u><u>3,765</u></u>

All ordinary shares issued during the period rank pari passu with the then existing ordinary shares in all aspects.

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.

15. EVENT AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 30 November 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group manufactures and sells precast concrete telecommunication junction boxes and precast concrete electrical junction boxes under the brand of “Target” in Malaysia (the “**Manufacturing and Trading Business**”). The Group’s precast concrete junction boxes are used in (i) telecommunication and electrical infrastructures upgrade and expansion works; and (ii) construction projects in Malaysia. They are buried underground to deter tampering and are used to house and protect a junction with telecommunication and electrical utility connection and distribution access points from weather, changing elevation underground and provide easy access for maintenance.

The Group has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad (“**Celcom**”) and Telekom Malaysia (“**Telekom**”) since 2008 and the 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 telecommunication companies and TNB.

For the six months ended 30 November 2020, the revenue of the Group decreased by approximately 19.58% due to the decrease in the revenue generated from the Manufacturing and Trading Business.

Moreover, other factors which include labour shortage, dependency on foreign workers, and the rising production and transportation costs may exert pressure on the Group’s business operations. Nevertheless, the Group remains cautiously optimistic about the overall business prospects.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RM13.7 million for the six months ended 30 November 2019 to approximately RM10.9 million for the six months ended 30 November 2020, representing a decrease of approximately 19.58%. Such decrease was mainly due to the decrease of the revenue generated from the manufacturing and trading of precast concrete junction boxes business.

For the manufacturing and trading of precast concrete junction boxes business, the revenue decreased by approximately 20.65%, from approximately RM10.1 million for the period ended 30 November 2019 to approximately RM8.0 million for the period ended 30 November 2020.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue slightly increased by approximately 2.8%, from approximately RM1,961,000 for the period ended 30 November 2019 to approximately RM2,016,000 for the period ended 30 November 2020. The increase was mainly caused by the increase in sales of steels.

For the Japanese catering services, the revenue decreased by approximately 38.24%, from approximately RM1,527,000 for the period ended 30 November 2019 to approximately RM943,000 for the period ended 30 November 2020. The decrease is mainly due to the third wave outbreak of COVID-19 in Hong Kong.

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

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 RM9.3 million for the six months ended 30 November 2019 to approximately RM7.9 million for the six months ended 30 November 2020, decrease of approximately 14.84%. Such change was mainly attributable to the decrease in sales of manufacturing and trading of precast concrete junction boxes business for the six months ended 30 November 2020.

The Gross Profit decreased from approximately RM4.4 million for the six months ended 30 November 2019 to approximately RM3.1 million for the six months ended 30 November 2020.

Administrative expenses

Administrative expenses of the Group decreased by approximately RM1.3 million or 26.14% from approximately RM5.0 million for the six months ended 30 November 2019 to approximately RM3.7 million for the six months ended 30 November 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 decrease was mainly attributable to tighter control on expenses.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately RM84,000 or 15.76% from approximately RM533,000 for the six months ended 30 November 2019 to approximately RM449,000 for the six months ended 30 November 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. The decrease of selling and distribution expenses was mainly due to the decrease in staff cost.

Loss for the period

The Group recorded a net loss of approximately RM1.0 million for the six months ended 30 November 2020 due to the decrease in revenue of the Group for the six months ended 30 November 2020.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 November 2020, 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 six months ended 30 November 2020. There is no specific future plan for material investments or capital assets as at the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2020, the Group's cash and cash equivalents was approximately RM22.6 million (31 May 2020: approximately RM22.8 million).

As at 30 November 2020, the Group's had no borrowings (31 May 2020: Nil).

As at 30 November 2020, the Group's current ratio was 5.1 (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 30 November 2020 (31 May 2020: Nil), which is calculated based on the total interest-bearing loans divided by the total equity.

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

CAPITAL STRUCTURE

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

As at 30 November 2020, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM3.8 million and approximately RM30.9 million respectively (31 May 2020: RM3.8 million and RM32.3 million respectively).

CAPITAL COMMITMENTS

As at 30 November 2020, the Group had no capital commitments in respect of the acquisition of property, plant and equipment (31 May 2020: Nil).

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

As at 30 November 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 SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to

Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Ordinary Shares of the Company

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of shares interested	Percentage of the Company's issued share capital as at 30 November 2020
Mr. Loh Swee Keong (<i>Note 2</i>)	Interest in controlled corporation	238,620,000 (L) (<i>Note 1</i>)	34.67%

Notes:

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

Save for disclosed above, as at 30 November 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 30 November 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 of the 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 30 November 2020
Merchant World Investments Limited	Beneficial owner	238,620,000 (L) (Note 1)	34.67%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	238,620,000 (L)	34.67%
Greater Elite Holdings Limited	Beneficial owner	108,980,000 (L)	15.84%
Mr. Law Fung Yuen Paul (Note 3)	Interest in controlled corporation	108,980,000 (L)	15.84%
Ms. Cheng Lai Wah Christina (Note 4)	Interest of spouse	108,980,000 (L)	15.84%
Mr. Fung Tak, Andrew (Note 5)	Beneficial owner and joint interest	99,872,000 (L)	14.51%
Mr. Fung Hong, Albert (Note 6)	Beneficial owner and joint interest	99,872,000 (L)	14.51%
Ms. Lo Pui Chu, Amy (Note 7)	Interest of spouse	99,872,000 (L)	14.51%
Ms. Cho Ka Lai (note 8)	Interest of spouse	99,872,000 (L)	14.51%

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) Mr. Fung Tak, Andrew is interested in 99,872,000 shares jointly with Mr. Fung Hong, Albert.
- (6) Mr. Fung Hong, Albert is interested in 99,872,000 shares jointly with Mr. Fung Tak, Andrew.
- (7) 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.
- (8) 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 30 November 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

As at 30 November 2020, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (31 May 2020: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 November 2020 (six months ended 30 November 2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2020, we had 73 employees who are located in Malaysia and the Hong Kong Special Administrative Region. The Group generally recruits employees from the open market by placing recruitment advertisements. The Group entered into individual labour contracts with each of the employees in accordance with the applicable labour laws of Malaysia and the Hong Kong Special Administrative Region, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package that the Group offers to the employees includes salary, bonuses, allowances and medical benefits. In general, the Group determines an employee’s salary based on each employee’s qualifications, experience and capability and the prevailing market remuneration rate. The Group has designed and implemented a review system to assess the performance of our employees once a year, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

PRINCIPAL RISK AND UNCERTAINTIES

Operational risk

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

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

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

Financial risks

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

FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

On 17 April 2020, the Company entered into a Subscription Agreement with Mr. Ho Ivan Siu-Hin (the “**Subscriber**”), pursuant to which the Subscriber agreed to subscribe and the Company agreed to issue a total of 68,200,000 new ordinary shares at par value of HK\$0.01 per share of the Company at the price of HK\$0.125 per share (the “**Subscription Shares**”) and the net subscription price per Subscription Share was approximately HK\$0.1246. The aggregate nominal value of the Subscription Shares was HK\$682,000. The market price was HK\$0.15 per share on 17 April 2020. The Subscription Shares have been issued pursuant to the general mandate to allot and issue up to a maximum of 124,000,000 shares granted to the Directors of the Company by a resolution of the shareholders passed at the Company’s annual general meeting held on 25 November 2019. The subscription completed on 8 May 2020. The net proceeds of approximately HK\$8,500,000 was intended to be used as general working capital of the Group and the net proceed has been fully utilized as general working capital up to the period ended 30 November 2020.

CONTINGENT LIABILITIES

The Group had no contingent liabilities at the balance sheet date.

CORPORATE GOVERNANCE PRACTICES

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

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

Save as disclosed above, for the six months ended 30 November 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 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 conditionally adopted the Share Option Scheme on 27 June 2017 whereby the Board is authorised, at its absolute discretion and subject to the terms of the Share Option Scheme, to grant options to the Eligible Participants to subscribe for the shares of the Company. The Share Option Scheme will be valid and effective for a period of ten years from the date of the 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 six months ended 30 November 2020, 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 30 November 2020, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 November 2020 and up to the date of this announcement, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

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 enquiry of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the six months ended 30 November 2020 to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 November 2020.

DIRECTOR'S INTEREST OF COMPETING BUSINESS

During the six months ended 30 November 2020, 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 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 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 the financial statements of the Company and oversee the internal control and risk management procedures of the Company.

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months 30 November 2020 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, 13th January 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 seven days from the date of its publication. This announcement will also be published on the Company’s website at www.targetprecast.com.