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 2020

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.

*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 2020 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 2020

	Notes	**2020** ***RM'000***	2019 *RM'000*
Revenue	*3*	**23,012**	29,451
Cost of sales		**(16,330)**	(21,859)
Gross profit		**6,682**	7,592
Other income		**945**	379
Administrative expenses		**(10,361)**	(8,737)
Selling and distribution expenses		**(1,007)**	(1,125)
Finance costs	*4*	**(225)**	(14)
Loss before taxation	*5*	**(3,966)**	(1,905)
Taxation	*6*	**(462)**	(744)
Loss for the year		**(4,428)**	(2,649)
Other comprehensive loss item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**320**	391
Total comprehensive loss for the year		**(4,108)**	(2,258)
Loss per share:			
Basic (RM cent)	*7*	**(0.71)**	(0.43)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 May 2020

	Notes	2020 RM'000	2019 RM'000
Non-Current Assets			
Property, plant and equipment		**4,133**	4,854
Investment property		**371**	381
Right-of-use assets		**3,649**	–
Equity investment		**561**	–
Deferred tax assets		**32**	74
Total Non-Current Assets		**8,746**	5,309
Current Assets			
Inventories	*9*	**2,336**	1,780
Receivables, deposits and prepayments	*10*	**12,023**	13,501
Amount owing from ultimate holding company		**17**	9
Amount owing from a shareholder		**13**	7
Tax recoverable		**205**	527
Short-term bank deposits	*11*	**10,135**	6,034
Cash on hand and at bank	*11*	**12,712**	14,909
Total Current Assets		**37,441**	36,767
Current Liabilities			
Payables and accrued charges	*12*	**6,532**	6,361
Lease liabilities		**2,360**	–
Total Current Liabilities		**8,892**	6,361
Net Current Assets		**28,549**	30,406
Total Assets Less Current Liabilities		**37,295**	35,715
Non-Current Liabilities			
Lease liabilities		**1,020**	–
Deferred tax liabilities		**167**	281
Total Non-Current Liabilities		**1,187**	281
Net Assets		**36,108**	35,434

	Notes	**2020**	2019
		RM'000	*RM'000*
Capital and Reserves			
Share capital	*13*	**3,765**	3,382
Reserves		**32,343**	32,052
Total Equity		**36,108**	35,434

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 May 2020

	Share capital *RM'000*	Share premium *RM'000*	Other reserve *RM'000*	Translation reserve *RM'000*	Retained profits *RM'000*	Total *RM'000*
At 1 June 2018	3,382	19,891	8,579	(974)	6,814	37,692
Loss for the year	–	–	–	–	(2,649)	(2,649)
Exchange differences arising on translation of foreign operations	–	–	–	391	–	391
Total comprehensive loss for the year	–	–	–	391	(2,649)	(2,258)
At 31 May 2019	3,382	19,891	8,579	(583)	4,165	35,434

	Share capital ***RM'000***	**Share premium** ***RM'000***	**Other reserve** ***RM'000***	**Translation reserve** ***RM'000***	**Accumulated loss** ***RM'000***	**Total** ***RM'000***
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	**3,765**	**24,290**	**8,579**	**(263)**	**(263)**	**36,108**

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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied, for the first time, the following new and revised standards, amendments and interpretations issued by the IASB:

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

Except for IFRS 16, Leases, none of the developments have had a material effect on how the Group's results and financial position for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

IFRS 16 "Leases"

IFRS 16 replaces IAS 17 "Leases", and the related interpretations, IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives", and SIC 27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease". It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low-value assets. The lessor accounting requirements brought forward from IAS 17 are substantially unchanged.

IFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied IFRS 16 as from 1 June 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 June 2019. Comparative information has not been restated and continues to be reported under IAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. IFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all the economic benefits from that use.

The Group applies the new definition of a lease in IFRS 16 only to contracts that were entered into or changed on or after 1 June 2019. For contracts entered into before 1 June 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under IAS 17 continue to be accounted for as leases under IFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

IFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by IAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under IAS 17, other than those short-term leases and leases of low-value assets which are exempted. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to IFRS 16 (i.e. 1 June 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 June 2019.

The weighted average of the incremental borrowing rate used for determination of the present value of the remaining lease payments was 4.55%.

To ease the transition to IFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of IFRS 16:

(i) the Group elected not to apply the requirements of IFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of IFRS 16, i.e. where the lease term ends on or before 31 May 2020;

(ii) when measuring the lease liabilities at the date of initial application of IFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);

(iii) when measuring the right-of-use assets at the date of initial application of IFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 May 2019 as an alternative to performing an impairment review; and

(iv) use hindsight based on facts and circumstances at the date of initial application of IFRS 16 in determining the lease term for the Group's leases with extension and termination options.

The following table reconciles the operating lease commitments as at 31 May 2019 to the opening balance for lease liabilities recognised as at 1 June 2019:

	RM'000
Operating lease commitments at 31 May 2019	**2,541**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 May 2020	**(547)**
	1,994
Less: total future interest expenses	**(166)**
Total lease liabilities recognised at 1 June 2019	**1,828**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 May 2019.

There is no impact on the opening balance of equity.

The following table summarises the impacts of the adoption of IFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 May 2019 *RM'000*	Capitalisation of operating lease contracts *RM'000*	Carrying amount at 1 June 2019 *RM'000*
Line items in the consolidated statement of financial position impacted by the adoption of IFRS 16:			
Right-of-use assets	–	1,911	1,911
Property, plant and equipment	4,854	(83)	4,771
Total non-current assets	5,309	1,828	7,137
Payables and accrued charges	(6,361)	–	(6,361)
Lease liabilities	–	(466)	(466)
Current liabilities	(6,361)	(466)	(6,827)
Net current assets	30,406	(466)	29,940
Total assets less current liabilities	35,715	1,362	37,077
Lease liabilities	–	(1,362)	(1,362)
Total non-current liabilities	(281)	(1,362)	(1,643)
Net assets	35,434	–	35,434

c. ***Impact on the financial result and cash flows of the Group***

After the initial recognition of right-of-use assets and lease liabilities as at 1 June 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if IAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. Although total cash flows are unaffected, the adoption of IFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flow.

The following tables give an indication of the estimated impact of the adoption of IFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 May 2020, by adjusting the amounts reported under IFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under IAS 17 if this superseded standard had continued to apply in 2020 instead of IFRS 16, and by comparing these hypothetical amounts for 2020 with the actual 2019 corresponding amounts which were prepared under IAS 17.

	2020				2019
	Amounts reported under IFRS 16	**Add back: IFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under IAS 17** *(note 1 & 2)*	**Hypothetical amounts for 2020 as if under IAS 17**	Compared to amounts reported for 2019 under IAS 17
	(A)	**(B)**	**(C)**	**(D=A+B-C)**	
	RM'000	***RM'000***	***RM'000***	***RM'000***	*RM'000*
Financial result for year ended 31 May 2020 impacted by the adoption of IFRS 16:					
Loss from operations	**(3,741)**	**2,326**	**(2,284)**	**(3,699)**	**(1,891)**
Finance costs	**(225)**	**186**	**–**	**(39)**	**(14)**
Loss before taxation	**(3,966)**	**2,512**	**(2,284)**	**(3,738)**	**(1,905)**
Loss for the year	**(4,428)**	**2,512**	**(2,284)**	**(4,200)**	**(2,649)**

	2020			2019
	Amounts reported under IFRS 16 (A)	**Estimated amounts related to operating leases as if under IAS 17** *(note 1 & 2)* **(B)**	**Hypothetical amounts for 2020 as if under IAS 17 (C=A+B)**	Compared to amounts reported for 2019 under IAS 17
	RM'000	***RM'000***	***RM'000***	*RM'000*
Line items in the consolidated statement of cash flows for year ended 31 May 2020 impacted by the adoption of IFRS 16:				
Cash generated from operations	**649**	**(2,284)**	**(1,635)**	**994**
Net cash generated from operating activities	**437**	**(2,284)**	**(1,847)**	**65**
Capital element of lease rentals paid	**(2,098)**	**2,098**	**–**	**–**
Interest element of lease rentals paid	**(186)**	**186**	**–**	**–**
Net cash generated from/(used in) financing activities	**2,459**	**(2,284)**	**175**	**(26)**

Notes:

1 The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2020 that relate to leases which would have been classified as operating leases, if IAS 17 had still applied in 2020. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2020 would have been classified as operating leases under IAS 17, if IAS 17 had still applied in 2020. Any potential net tax effect is ignored.

2 In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from/(used in) operating activities and net cash generated from/(used in) financing activities as if IAS 17 still applied.

d. ***Leasehold investment property***

Under IFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/ or for capital appreciation ("**leasehold investment properties**"). The adoption of IFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply IAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31 May 2019. Consequentially, these leasehold investment properties continue to be carried at cost less subsequent accumulated depreciation and any accumulated impairment losses.

3. REVENUE AND SEGMENTAL INFORMATION

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

	Year ended 31 May 2020 Total ***RM'000***	Year ended 31 May 2019 Total *RM'000*
Manufacturing and trading:		
Sales of manufactured goods	**16,123**	19,437
Other building materials and services:		
Sales of building materials	**3,201**	6,654
Rental of crane services	**3**	26
Japanese catering services	**3,608**	3,043
Sourcing services	**77**	291
Total	**23,012**	29,451
Geographical market:		
Malaysia	**19,327**	26,117
China – Hong Kong	**3,685**	3,334
Total	**23,012**	29,451
Timing of revenue recognition		
At point in time	**23,009**	29,425
Over time	**3**	26
Total	**23,012**	29,451

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 2020

	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	**16,123**	**3,204**	**3,608**	**77**	**23,012**
Inter-segment sales	**5,272**	**564**	**–**	**–**	**5,836**
Segment revenue	**21,395**	**3,768**	**3,608**	**77**	**28,848**
Elimination					**(5,836)**
Group revenue					**23,012**
Segment result	**4,510**	**357**	**1,776**	**39**	**6,682**
Administrative expenses					**(10,361)**
Selling and distribution expenses					**(1,007)**
Finance costs					**(225)**
Other income					**945**
Loss before taxation					**(3,966)**

For the year ended 31 May 2019

	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	19,437	6,680	3,043	291	29,451
Inter-segment sales	7,174	943	–	–	8,117
Segment revenue	26,611	7,623	3,043	291	37,568
Elimination					(8,117)
Group revenue					29,451
Segment result	5,195	502	1,754	141	7,592
Administrative expenses					(8,737)
Selling and distribution expenses					(1,125)
Finance costs					(14)
Other income					379
Loss before taxation					(1,905)

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 2020

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Japanese Catering Services *RM'000*	Sourcing services *RM'000*	Segment assets (liabilities) *RM'000*	Unallocated *RM'000*	Consolidated assets (liabilities) *RM'000*
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	**(5,028)**	**(345)**	**(474)**	**(2,253)**	**(8,100)**	**(792)**	**(8,892)**

As at 31 May 2019

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Japanese Catering Services *RM'000*	Sourcing services *RM'000*	Segment assets (liabilities) *RM'000*	Unallocated *RM'000*	Consolidated assets (liabilities) *RM'000*
Non-current assets	4,325	396	184	330	5,235	74	5,309
Current assets	17,651	8,118	628	9,720	36,117	650	36,767
Non-current liabilities	–	–	–	–	–	(281)	(281)
Current liabilities	(4,487)	(487)	(403)	(291)	(5,668)	(693)	(6,361)

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 2020

	Manufacturing and trading	**Other building materials and services**	**Japanese catering services**	**Sourcing services**	**Unallocated**	**Total**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***	***RM'000***
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**

For the year ended 31 May 2019

	Manufacturing and trading	Other building materials and services	Japanese catering services	Sourcing services	Unallocated	Total
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Amounts included in the measure of segment profit or loss or segment assets:						
Additions to non-current assets	1,179	5	30	114	–	1,328
Factory rental	498	–	–	–	–	498
Shop rental	–	–	650	–	–	650

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:

	2020	2019
	RM'000	*RM'000*
Malaysia	**19,328**	26,117
China – Hong Kong	**3,684**	3,334
	23,012	29,451

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**	
	2020	2019	**2020**	2019
	RM'000	*RM'000*	***RM'000***	*RM'000*
Malaysia	**34,371**	30,490	**331**	1,184
China – Hong Kong	**9,462**	10,862	**–**	144
Unallocated	**2,354**	724	**–**	–
	46,187	42,076	**331**	1,328

Information about major customers

No customer contributes over 10% of total revenue of the Group for the year ended 31 May 2020 and 31 May 2019.

4. FINANCE COSTS

	2020	2019
	RM'000	*RM'000*
Interest expense on:		
Leases liabilities	**186**	–
Other facilities	**1**	5
Commitment fees	**38**	9
	225	14

5. LOSS BEFORE TAXATION

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

	2020	2019
	RM'000	*RM'000*
Auditors' remuneration	**436**	713
Cost of inventories recognised as an expense	**12,219**	15,347
Staff costs, excluding directors' remuneration:		
– Salaries, wages and other benefits	**4,925**	5,512
– Contributions to EPF	**333**	412
	5,258	5,924
Total minimum lease payments for leases previously classified as operating leases under IAS17:		
Factory	**–**	498
Crane	**–**	60
Shop	**–**	650
Staff accommodation	**–**	19
Office equipment	**–**	19
Lease payments not included in the measurement of lease liabilities		
Crane	**53**	–
Shop	**495**	–
Office equipment	**9**	–
Office	**264**	–
Depreciation of:		
Property, plant and equipment	**982**	869
Investment property	**10**	10
Right-of-use assets	**2,326**	–
Allowance for credit losses:		
Trade receivables	**764**	27
Deposits paid	**369**	–
Allowance for credit losses no longer required	**–**	(110)
Property, plant and equipment written off	**–**	13
Rental income from investment property	**(12)**	–
Bad debts written off	**142**	–
Bad debt written back	**–**	(10)
Realised gain on foreign exchange	**–**	(48)
Unrealised loss/(gain) on foreign exchange	**826**	(351)
Interest income on:		
Deposits at bank	**(419)**	(46)
Late payment from receivables	**(246)**	(333)

6. TAXATION

	2020	2019
	RM'000	*RM'000*
Malaysia corporate income tax:		
Current year	**524**	683
Under provision in prior years	**10**	45
Deferred tax:		
Current year	**(114)**	110
(Over)/Under provision in prior years	**42**	(94)
	(72)	16
	462	744

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

Hong Kong Profits Tax is calculated at a rate of 16.5% (2019:16.5%) of the estimated assessable profits for the year. Hong Kong Profits Tax has not been provided for the years ended 31 May 2020 and 2019 as there is no assessable profits for both periods.

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

	2020	2019
	RM'000	*RM'000*
Loss before taxation	**(3,966)**	(1,905)
Statutory tax rate	**24%**	24%
Taxation at applicable statutory tax rate	**(951)**	(457)
Tax saving of 7% (2019: 7%) *(Note)*	**(84)**	(70)
Tax effects of:		
Expenses not deductible for tax purpose	**956**	1,046
Income not taxable for tax purpose	**–**	(6)
Effect of different tax rate of entities operating in other jurisdictions	**489**	280
Underprovision of income tax payable in prior years	**10**	45
Under/(Over) provision of deferred tax in prior years	**42**	(94)
Taxation for the year	**462**	744

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 2019 and 31 May 2020, on chargeable income amounting to RM500,000 or less. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the year ended 31 May 2019 and 31 May 2020 respectively.

7. LOSS PER SHARE

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

	2020	2019
	RM'000	*RM'000*
Loss for the purpose of basic loss per share:		
Loss for the year attributable to the owners of the Company	**(4,428)**	(2,649)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**624,484,000**	620,000,000

No diluted loss per share information has been presented for the year ended 31 May 2019 and 31 May 2020 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 year ended 31 May 2019 and 31 May 2020.

9. INVENTORIES

	2020	2019
	RM'000	*RM'000*
At cost:		
Raw materials and consumables	**750**	1,025
Finished goods	**1,586**	755
	2,336	1,780

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

	2020	2019
	RM'000	*RM'000*
Carrying amount of inventories sold	**12,219**	15,347

10. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	RM'000	*RM'000*
Trade receivables	**8,857**	10,060
Less: Allowance for credit losses	**(870)**	(129)
	7,987	9,931
Other receivables	**154**	2,755
Deposits	**3,177**	746
Prepayments	**705**	69
	12,023	13,501

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.

	2020	2019
	RM'000	*RM'000*
1-30 days	**308**	3,373
31-60 days	**44**	1,264
61-90 days	**876**	1,037
91-120 days	**1,395**	296
More than 120 days	**5,364**	3,961
	7,987	9,931

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

	2020	2019
	RM'000	*RM'000*
Current:		
Short-term bank deposits	**10,135**	6,034
Cash on hand and at bank	**12,712**	14,909
Total	**22,847**	20,943
Less: Deposits pledged as security	**(1,135)**	(1,034)
Cash and cash equivalents	**21,712**	19,909

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 2.19% to 3.60% and ranging from 2.40% to 3.70% per annum as at 31 May 2019 and 31 May 2020 respectively. Included in the short-term bank deposits are amounts totaling RM1,034,000 and RM1,135,000 that have been pledged to secure general banking facilities granted to the Group as at 31 May 2019 and 31 May 2020 respectively.

12. PAYABLES AND ACCRUED CHARGES

	2020	2019
	RM'000	*RM'000*
Trade payables	**3,341**	4,087
Accrued charges	**2,671**	1,645
Other payables	**328**	616
Advance from customers	**192**	13
	6,532	6,361

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

	2020	2019
	RM'000	*RM'000*
1-30 days	**514**	1,628
31-60 days	**29**	1,665
61-90 days	**403**	698
91-120 days	**1,262**	89
Over 120 days	**1,133**	7
	3,341	4,087

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	Share capital	
	'000	*HK$'000*	*RM'000*
Ordinary shares of HK$0.01 each			
Authorised:			
1 June 2018, 31 May 2019 and 31 May 2020	10,000,000	100,000	
Issued and fully paid:			
1 June 2018, 31 May 2019 and 1 June 2019	620,000	6,200	3,382
Issue of subscription shares by newly allotted ordinary shares *(note c)*	68,200	682	383
At 31 May 2020	688,200	6,882	3,765

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 HKD380,000 comprising 38,000,000 shares at par value of HKD0.01 each to HKD100,000,000 comprising 10,000,000,000 shares of par value of HKD0.01 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 HKD4,399,000 (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 HKD6,200,000 (equivalent to approximately RM3,382,000) comprising 620,000,000 shares at par value of HKD0.01 each.

(c) On 17 April 2020 (after trading hours), the Company entered into the subscription agreement with the subscriber, the Company alloted 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 National 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 2020, the revenue of the Group decreased by approximately 21.86% mainly due to the outbreak of the COVID-19 and the implementation of the Movement Control Order by the Government of Malaysia for nearly one month. Economy has therefore slowdown which in turn adversely impacted on the demand and supply for the Group's precast junction boxes as well as other building materials and services.

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 RM29.5 million for the year ended 31 May 2019 to approximately RM23.0 million for the year ended 31 May 2020, representing a drop of approximately 21.86%. Such decrease was mainly due to the decrease in the revenue generated from the manufacturing and trading of precast concrete junction boxes; and the trading of accessories and pipes and provision of mobile crane rental and ancillary services.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue decreased by approximately 17.05%, from approximately RM19.4 million for the year ended 31 May 2019 to approximately RM16.1 million for the year ended 31 May 2020. The decrease was mainly caused by the uncertainty of Malaysia's economy which had impacted on the progress of our customers' projects and the order they place to our Group.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 52.04%, from approximately RM6.7 million for the year ended 31 May 2019 to approximately RM3.2 million for the year ended 31 May 2020. The decrease was mainly caused by the decrease in sales of scrap iron and pipes.

For the Japanese catering services, the revenue increased by approximately 18.57%, from approximately RM3.0 million for the year ended 31 May 2019 to approximately RM3.6 million for the year ended 31 May 2020. The increase is mainly due to the fact that there are more recurring customers. Also, the sourcing service 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 RM21.9 million for the year ended 31 May 2019 to approximately RM16.3 million for the year ended 31 May 2020, representing a decrease of approximately 25.29%. Such change was consistent with the decrease in revenue during the year ended 31 May 2020.

The total cost of sales from the manufacturing and sale of precast concrete junction boxes decreased from approximately RM14.2 million for the year ended 31 May 2019 to approximately RM11.6 million for the year ended 31 May 2020.

The Gross Profit decreased from approximately RM7.6 million for the year ended 31 May 2019 to approximately RM6.7 million for the year ended 31 May 2020.

Administrative expenses

Administrative expenses of the Group increased by approximately RM1.6 million or 18.59% from approximately RM8.7 million for the year ended 31 May 2019 to approximately RM10.4 million for the year ended 31 May 2020.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees. The increase was mainly attributable to the increase in staff costs due to business expansion and other cost associated with the development of the Japanese catering services.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately RM0.1 million or 10.5% from approximately RM1.1 million for the year ended 31 May 2019 to approximately RM1.0 million for the year ended 31 May 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 slight decrease of selling and distribution expenses was mainly due to the decrease in salary and incentive paid to sales and marketing staffs with the decrease in sales of the manufacturing and trading business.

Loss for the year

The Group recorded a net loss of approximately RM4.4 million for the year ended 31 May 2020 (31 May 2019: approximately RM2.7 million) due to the net effect of (i) the decrease in revenue for the year ended 31 May 2020; and (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 May 2020.

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 2020, the Group recorded trade receivables amounting to approximately RM8.0 million, the number of trade receivables turnover days was approximately 142 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 2020, the Group's cash and cash equivalents was approximately RM22.8 million (31 May 2019: approximately RM20.9 million).

As at 31 May 2020, the Group has no borrowings (31 May 2019: Nil).

As at 31 May 2020, the Group's current ratio was 4.2 (31 May 2019: 5.8), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was Nil as at 31 May 2020 and 31 May 2019, which is calculated based on the total interest-bearing loans divided by the total equity.

As at 31 May 2019 and 31 May 2020, 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 2020, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM3.8 million and approximately RM32.3 million respectively (31 May 2019: RM3.4 million and RM32.1 million respectively).

CAPITAL COMMITMENTS

As at 31 May 2020, the Group has no capital commitments in respect of the acquisition of property, plant and equipment (31 May 2019: 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 2020, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (31 May 2019: approximately RM1.0 million). These deposits were pledged to secure general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS HELD

As at 31 May 2020, 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 2020. Save as the planned acquisition of a piece of land in South Malaysia as set out in the section headed "Use of Proceeds From The Share Offer", 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 2019 and 31 May 2020, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2020, we had 82 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as disclosed in the Prospectus with the Group's actual business progresses for the period from 19 July 2017 (the "**Listing Date**") to 31 May 2020 is set out as below:

Business Objectives	Progress
Expansion of production capacity	The funds have been used to purchase several lorry cranes and junction box moulds. The Group also recruited 28 staffs for the expansion and renovation works.
Expansion on marketing and sales team	The funds have been used to recruit a new General Sales Manager and a Sales Executive

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on 19 July 2017 on the GEM by a Share Offer (the "**Listing**"). The Offer Price was HKD0.28 per Offer Share. The net proceeds received by the Company from the Share Offer, after deducting underwriting fees and other expenses, were approximately HKD29.6 million.

The net proceeds from the Listing have not been fully utilized up to the year ended 31 May 2020 in accordance with the expected timeline set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table lists out the updated expected timeline of utilization of the net proceeds and the usage up to the year ended 31 May 2020.

	Net proceeds from the share offer *HKD million*	**Amount utilised from the Listing Date to 31 May 2019** *HKD million*	**Amount utilised for the year ended 31 May 2020** *HKD million*	**Unutilised balance up to 31 May 2020** *HKD million* *(Note a)*
Expansion of production capacity through				
(i) expanding our Existing Selangor Plant	7.0	(3.0)	(0.5)	3.5 *Note (b)*
(ii) completing the establishment of our New Kulaijaya Plant and	7.3	(1.3)	–	6.0 *Note (c)*
(iii) recruiting new staff	2.6	(0.4)	(0.1)	2.1 *Note (d)*
Acquisition of a parcel of land in Southern Malaysia	8.4	–	–	8.4 *Note (e)*
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions	2.7	–	–	2.7 *Note (f)*
Expansion of our sales and marketing team	0.8	(0.4)	(0.2)	0.2 *Note (g)*
General working capital	0.8	(0.8)	–	–
Total	29.6	(5.9)	(0.8)	22.9

Notes:

(a) The unused Listing proceeds have been deposited in licensed banks in Malaysia and Hong Kong.

(b) The Listing proceeds of approximately HKD3.5 million have not been utilised as at 31 May 2020. The Group intends to use up the remaining fund for expanding our Existing Selangor Plant by 30 November 2021.

(c) The Listing proceeds of approximately HKD6.0 million have not been utilised as at 31 May 2020. The Group will use up the remaining fund for completing the establishment of the New Kulaijaya Plant by 30 November 2021.

(d) The Listing proceeds of approximately HKD2.1 million have not been utilised as at 31 May 2020. The Group intends to use up the remaining fund by 30 November 2021.

(e) The Listing proceeds of approximately HKD8.4 million have not been utilised as at 31 May 2020. The Group intends to use up the remaining fund by 30 November 2021.

(f) The Listing proceeds of approximately HKD2.7 million have not been utilised as at 31 May 2020. The Group intends to use up the remaining fund by 30 November 2021. As at 31 May 2020, the Directors had not identified any acquisition target.

(g) The Listing proceeds of approximately HKD0.2 million have not been utilised as at 31 May 2020. The Group intends to use up the remaining fund by 30 November 2021.

In view of the outbreak of the COVID-19 and the global dropping in the revenue of the manufacturing and trading of precast concrete junction boxes segment, the management of the Group have a reservation view over the current timetable to expand the Group's production capacity, particularly in the acquisition of a piece of land in South Malaysia and vertical business expansion. The Group will closely monitor both the internal and the external factors and will decide on the pace of expansion of our production capacity in due course. The Directors will constantly evaluate the Group's business objectives and will change or modify plans against the changing market conditions to ascertain the business growth of the Group.

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

OTHER INFORMATION

THE ISSUE OF NEW SHARES UNDER GENERAL MANDATE

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 HK0.01 per share of the Company at the price of HK0.125 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. Approximately HK$3,485,000 has been utilized as general working capital up to the year ended 31 May 2020 and the remaining is expected to be fully utilized no later than 31 May 2021.

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 2020.

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 2020.

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 2020.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at 31 May 2020, 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 2020. 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. Yau Ka Hei and Mr. Chu Kin Ming shall retire at the 2020 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

There are no significant event after the reporting period.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 May 2020 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 2020 (2019: Nil).

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

INTEREST OF THE COMPLIANCE ADVISER

As notified by Ever-Long Securities Company Limited ("**Ever-Long**"), compliance adviser of the Company, except for the compliance adviser agreement entered into between the Company and Ever-Long dated 17 April 2019, neither Ever-Long nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of Ever-Long had any interest in the share capital of our Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 31 May 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 AGM to be held on Wednesday, 25 November 2020, the register of members of the Company will be closed from Friday, 20 November 2020 to Wednesday, 25 November 2020, both days inclusive, during which period no transfer of Shares will be effected. In order to be eligible to attend and vote at the 2020 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, 19 November 2020.

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 2020, 5 meetings have been held for the Audit Committee and all the members of the Committee attended the meetings. The audited consolidated financial statements of the Group for the year ended 31 May 2020 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 and to hold office until the conclusion of the forthcoming AGM.

The financial statements for the year ended 31 May 2020 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, 25 August 2020

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.