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## **SK TARGET GROUP LIMITED**

**瑞強集團有限公司**

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

**(Stock Code: 8427)**

### **ANNOUNCEMENT OF THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 28 FEBRUARY 2022**

#### **CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small & mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

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

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*This announcement, for which the directors (the “**Directors**”) of SK Target Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended 28 February 2022 together with the unaudited comparative figures for the corresponding period in 2021 as follows:

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

*For the nine months ended 28 February 2022*

		For the three months ended		For the nine months ended	
		28 February 2022	28 February 2021	28 February 2022	28 February 2021
	<i>Note</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
		<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>					
Revenue	3	<b>5,278</b>	4,557	<b>14,303</b>	14,595
Cost of sales		<b>(4,506)</b>	(3,780)	<b>(12,272)</b>	(11,333)
Gross profit		<b>772</b>	777	<b>2,031</b>	3,262
Other income		<b>97</b>	77	<b>291</b>	411
Administrative expenses		<b>(764)</b>	(523)	<b>(2,620)</b>	(3,335)
Selling and distribution expenses		<b>(301)</b>	(241)	<b>(740)</b>	(690)
Finance costs	4	<b>(17)</b>	(12)	<b>(56)</b>	(65)
(Loss) Profit before taxation		<b>(213)</b>	78	<b>(1,094)</b>	(417)
Taxation	5	<b>(29)</b>	(56)	<b>(60)</b>	(428)
(Loss) Profit for the period from continuing operations	6	<b>(242)</b>	22	<b>(1,154)</b>	(845)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation		<b>(29)</b>	(264)	<b>(30)</b>	(435)
Loss for the period		<b>(271)</b>	(242)	<b>(1,184)</b>	(1,280)

	<b>For the</b>		<b>For the</b>	
	<b>three months ended</b>		<b>nine months ended</b>	
	<b>28 February</b>	28 February	<b>28 February</b>	28 February
	<b>2022</b>	2021	<b>2022</b>	2021
<i>Note</i>	<b><i>RM'000</i></b>	<i>RM'000</i>	<b><i>RM'000</i></b>	<i>RM'000</i>
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
Other comprehensive loss items that will not be reclassified to profit or loss:				
Exchange differences arising on translation from functional currency to presentation currency	<u>(35)</u>	(44)	<u>44</u>	<u>(459)</u>
Total comprehensive loss for the period	<u><b>(306)</b></u>	<u>(286)</u>	<u><b>(1,140)</b></u>	<u>(1,739)</u>
		(Restated)		(Restated)
Earnings (Loss) per share				
— Basic ( <i>RM cents</i> )	8			
From continuing operations	<b>(0.23)</b>	0.03	<b>(1.14)</b>	(0.98)
From discontinued operation	<u><b>(0.03)</b></u>	<u>(0.31)</u>	<u><b>(0.03)</b></u>	<u>(0.51)</u>

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

*For the nine months ended 28 February 2022*

	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	-	-	-	-	(1,280)	(1,280)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	(459)	-	(459)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(459)</u>	<u>(1,280)</u>	<u>(1,739)</u>
At 28 February 2021 (unaudited)	3,765	24,290	8,579	(722)	(1,543)	34,369
At 31 May 2021 (audited)	<b>4,277</b>	<b>26,444</b>	<b>8,579</b>	<b>(596)</b>	<b>(5,116)</b>	<b>33,588</b>
Loss for the period	-	-	-	-	(1,184)	(1,184)
Exchange differences arising on translation from functional currency to presentation currency	-	-	-	44	-	44
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>44</u>	<u>(1,184)</u>	<u>(1,140)</u>
Issue of subscription shares by newly allotted ordinary shares	<u>224</u>	<u>784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,008</u>
At 28 February 2022 (unaudited)	<b><u>4,501</u></b>	<b><u>27,228</u></b>	<b><u>8,579</u></b>	<b><u>(552)</u></b>	<b><u>(6,300)</u></b>	<b><u>33,456</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the nine months ended 28 February 2022*

## 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 the principal place of business are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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

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

The unaudited condensed consolidated financial statements are presented in Malaysian Ringgit (“**RM**”), which is also the functional currency of the Company. All values are rounded to nearest thousands (RM’000), unless otherwise stated.

## 2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the nine months ended 28 February 2022 have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 31 May 2021, except for the new and revised IFRSs. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

### Application of new and amendments to IFRSs

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

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial period beginning 1 June 2021. The Directors anticipate that the new and revised IFRSs will be adopted in the Group's unaudited condensed consolidated financial statements when they become effective.

The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE

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

	<b>For the three months ended</b>		<b>For the nine months ended</b>	
	<b>28 February 2022</b>	28 February 2021	<b>28 February 2022</b>	28 February 2021
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	<b>(unaudited)</b>	(unaudited)	<b>(unaudited)</b>	(unaudited)
<b>Continuing operations</b>				
Manufacturing and trading	<b>4,861</b>	4,031	<b>12,517</b>	12,039
Other building materials and services	<b>417</b>	524	<b>1,774</b>	2,533
Sourcing Services	<b>–</b>	2	<b>12</b>	23
	<b>5,278</b>	4,557	<b>14,303</b>	14,595

#### 4. FINANCE COSTS

	For the three months ended		For the nine months ended	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
Interest expense on:				
Other facilities				
Commitment fees	2	2	7	7
Lease liabilities interest	15	10	49	58
	<u>17</u>	<u>12</u>	<u>56</u>	<u>65</u>

#### 5. TAXATION

	For the three months ended		For the nine months ended	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
Malaysia corporate income tax:				
Current period	29	56	60	428
Deferred tax	-	-	-	-
	<u>29</u>	<u>56</u>	<u>60</u>	<u>428</u>

Malaysia corporate income tax is calculated at the statutory tax rate of 24% for the nine months ended 28 February 2022 (for the nine months ended 28 February 2021: 24%) on the estimated assessable profits for each of the assessable period.

Hong Kong Profit Tax is calculated at rate of 16.5% for the nine months ended 28 February 2022 (for the nine months ended 28 February 2021: 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.

## 6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	For the three months ended		For the nine months ended	
	28 February 2022 RM'000 (unaudited)	28 February 2021 RM'000 (unaudited)	28 February 2022 RM'000 (unaudited)	28 February 2021 RM'000 (unaudited)
Auditor remuneration	185	80	420	248
Cost of inventories recognised as an expense	3,184	2,379	8,962	7,897
Staff costs, excluding directors' remuneration:				
– Salaries, wages and other benefits	708	723	1,978	2,076
– Contribution to EPF	50	65	159	176
	758	788	2,137	2,252
Lease payments not included in the measurement of lease liabilities				
Crane	13	2	30	12
Office equipment	2	–	6	6
Depreciation on:				
Property, plant and equipment	197	185	582	527
Investment property	1	3	3	8
Right-of-use assets	131	159	392	929
Unrealised loss/(gain) on foreign exchange	151	(15)	253	(874)
Interest income	(87)	(87)	(247)	(258)

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the nine months ended 28 February 2022 (2021: Nil).



## 8. (LOSS) EARNINGS PER SHARE

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

	For the three months ended		For the nine months ended	
	28 February 2022 RM'000 (unaudited)	28 February 2021 RM'000 (unaudited) (Restated)	28 February 2022 RM'000 (unaudited)	28 February 2021 RM'000 (unaudited) (Restated)
Loss for the purpose of calculating basic (loss) earnings per share for the period attributable to the owners of the Company				
– From continuing operations	(242)	22	(1,154)	(845)
– From discontinuing operation	<u>(29)</u>	<u>(264)</u>	<u>(30)</u>	<u>(435)</u>
	<b>Number share</b>	<b>Number share (Restated)</b>	<b>Number share</b>	<b>Number share (Restated)</b>
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share ( <i>note</i> )	<u>103,230,000</u>	<u>86,025,000</u>	<u>101,475,934</u>	<u>86,025,000</u>

*Note:*

The weighted average number of shares used in the calculation of basic (loss) earnings per share for the periods ended 28 February 2021 and 2022 has been adjusted for the effect of shares consolidation which became effective on 18 August 2021.

No diluted loss per share information has been presented for the period ended 28 February 2021 and 28 February 2022 as the Company has no potential ordinary shares outstanding during both periods.

## 9. EVENTS AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 28 February 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

The Group has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia since 2008 and a registered supplier of Tenaga Nasional Bhd. (“**TNB**”), the only electric utility company in Malaysia since 2012. Hence, the Group’s precast concrete junction boxes can be used in infrastructure or construction projects involving these telecommunication companies and TNB.

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

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

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

For the nine months ended 28 February 2022, the revenue of the Group slightly decreased by approximately 2.00% due to decrease in the revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business.

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

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

## **FINANCIAL REVIEW**

### **Revenue**

The revenue decreased from approximately RM14.6 million for the nine months ended 28 February 2021 to approximately RM14.3 million for the nine months ended 28 February 2022, representing a slight decrease of approximately 2%. Such decrease was mainly due to the decrease in the revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue slightly increased by approximately 3.97%, from approximately RM12.0 million for the period ended 28 February 2021 to approximately RM12.5 million for the period ended 28 February 2022.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 29.96%, from approximately RM2.5 million for the period ended 28 February 2021 to approximately RM1.8 million for the period ended 28 February 2022. The decrease was mainly caused by the decrease in sales of steels.

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

## **Cost of sales and Gross Profit**

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; (iv) crane hiring costs and (v) food costs. The cost of sales increased from approximately RM11.3 million for the nine months ended 28 February 2021 to approximately RM12.3 million for the nine months ended 28 February 2022, representing an increase of approximately 8.29%. Such change was mainly attributable to the increase in the prices of raw materials for the nine months ended 28 February 2022.

The Gross Profit decreased from approximately RM3.3 million for the nine months ended 28 February 2021 to approximately RM2.0 million for the nine months ended 28 February 2022. The decrease is mainly due to the sharp increase in raw material prices.

## **Administrative expenses**

Administrative expenses of the Group decreased by approximately 21.44% from approximately RM3.3 million for the nine months ended 28 February 2021 to approximately RM2.6 million for the nine months ended 28 February 2022.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, amortisation, 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 increased by approximately 7.25% from approximately RM690,000 for the nine months ended 28 February 2021 to approximately RM740,000 for the nine months ended 28 February 2022.

The Group's selling and distribution expenses mainly consisted of salaries, welfare and other benefits for sales and marketing staff and travelling and entertainment expenses. The increase of selling and distribution expenses was mainly due to increase in commission and entertainment expenses.

## **Loss for the period**

The Group recorded a net loss of approximately RM1.2 million for the nine months ended 28 February 2022 due to the continuous outbreak of COVID-19 and the sharp increase in the price of raw materials.

## **SIGNIFICANT INVESTMENTS HELD**

During the nine months ended 28 February 2022, the Company did not have any significant investments held.

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the nine months ended 28 February 2022. Save for disclosed in this announcement, there is no specific future plan for material investments or capital assets as at the date of this announcement.

## **USE OF PROCEEDS FROM THE SHARE OFFER**

The shares of the Company were listed on 19 July 2017 (the “**Listing Date**”) on the GEM by a way of a public offer and placing (collectively as the “**Share Offer**”) (the “**Listing**”). The net proceeds received by the Company from the Share Offer, after deducting underwriting fees and other expenses, were approximately HK\$29.6 million.

The net proceeds from the Listing have not been fully utilized up to the year ended 28 February 2022 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 28 February 2022.

	Net proceeds from the Share Offer <i>HK\$ million</i>	Amount utilized from Listing Date to 31 May 2021 <i>HK\$ million</i>	Amount utilized for the period ended 28 February 2022 <i>HK\$ million</i>	Unutilized balance up to 28 February 2022 <i>HK\$ million</i>	Expected timeframe for intended use
Expansion of production capacity through					
(i) expanding our Existing Selangor Plant ( <i>note b</i> )	7.0	(4.6)	(0.2)	2.2	Intends to use up the remaining fund by end of 2022
(ii) completing the establishment of our New Kulaijaya Plant and ( <i>note b</i> )	7.3	(2.1)	(0.1)	5.1	Intends to use up the remaining fund by end of 2022
(iii) recruiting new staffs ( <i>note b</i> )	2.6	(0.7)	(0.4)	1.5	Intends to use up the remaining fund by end of 2022
Acquisition of a parcel of land in Southern Malaysia ( <i>note c</i> )	8.4	–	–	8.4	Intends to use up the remaining fund by end of 2022
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions ( <i>note c</i> )	2.7	–	–	2.7	Intends to use up the remaining fund by end of 2022
Expansion of our sales and marketing team ( <i>note d</i> )	0.8	(0.8)	–	–	
General working capital ( <i>note e</i> )	0.8	(0.8)	–	–	
Total	<u>29.6</u>	<u>(9.0)</u>	<u>(0.7)</u>	<u>19.9</u>	

*Notes:*

- (a) The unused Listing proceeds have been deposited in licensed banks in Malaysia and Hong Kong.
- (b) The funds have been used to purchase and upgrade some machineries and equipments. The funds also have been utilized on recruiting and salaries of staffs for the expansion and renovation works.
- (c) The Group had not identified any acquisition target.
- (d) The funds have been fully utilized on recruiting and salaries of sales and marketing staffs.
- (e) The funds have been fully utilized as general working capital.

In view of the continuous outbreak of the COVID-19 and the changes in government in Malaysia, 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.

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

As at 28 February 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities & Futures Ordinance (the “SFO”) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

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

<b>Name of Director/ Chief Executive</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares interested</b>	<b>Percentage of the Company's issued share capital as at 28 February 2022</b>
Mr. Loh Swee Keong ( <i>Note 2</i> )	Interest in controlled corporation	29,827,500 (L) ( <i>Note 1</i> )	28.89%

*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 28 February 2022, 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 28 February 2022, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 and SFO were as follows:

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

<b>Name</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of Shares interested</b>	<b>Percentage of the Company's issued share capital as at 28 February 2022</b>
Merchant World Investments Limited	Beneficial owner	29,827,500 (L) (Note 1)	28.89%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	29,827,500 (L)	28.89%
Greater Elite Holdings Limited	Beneficial owner	13,622,500 (L)	13.20%
Mr. Law Fung Yuen, Paul (Note 3)	Interest in controlled corporation	13,622,500 (L)	13.20%
Ms. Cheng Lai Wah, Christina (Note 4)	Interest of spouse	13,622,500 (L)	13.20%



*Notes:*

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

Save for disclosed above, as at 28 February 2022, 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 28 February 2022, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (28 February 2021: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

#### **FOREIGN CURRENCY RISK**

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

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

## FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

Date of announcement	Fund raising activity	Net proceeds to be raised (approximately)	Proposed use of net proceeds	Actual use of net Proceeds
4 March 2021 and 7 March 2021 (completed on 11 March 2021)	Subscription of new Shares under general mandate granted on 25 November 2020	HK\$4.96 million	For general working capital of the Group	Used as intended
18 August 2021 and 19 August 2021 (completed on 1 September 2021)	Subscription of new Shares under general mandate granted on 25 November 2020	HK\$1.85 million	For general working capital of the Group	Used as intended

## CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 28 February 2022 (28 February 2021: Nil).

## CORPORATE GOVERNANCE PRACTICES

Under the code provision A.2.1 of the Corporate Governance Code (the “CG Code”) and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive 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 nine months ended 28 February 2022, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## SHARE OPTION SCHEME

The purpose of a share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full time and part time), or any member of the Group, including any Executive, Non-executive Directors and Independent Non-executive Directors, advisors, consultants of the Group.

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

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

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

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

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

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

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

During the nine months ended 28 February 2022, other than the share option scheme set out above, the Company did not enter into the other equity-linked agreement, nor did any other equity-linked agreement exist during the period under review.

As at 28 February 2022, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

### **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

Other than as disclosed under the section "Share Option Scheme" and "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company and associated corporations", at no time during the period was the Company, its or any of its holding companies or any of its subsidiaries a party to any arrangement to enable the Directors and the Chief Executives (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

### **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the nine months ended 28 February 2022 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 28 February 2022.

## **DIRECTOR'S AND CONTROLLING SHAREHOLDERS' INTEREST OF COMPETING BUSINESS**

The Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

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

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group, the unaudited condensed consolidated financial statements of the Group for the nine months ended 28 February 2022 and this announcement and is of the opinion that such statements and this announcement complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

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

Hong Kong, 14 April 2022

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

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