SK TARGET GROUP LIMITED
瑞強集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8427)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2019

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 & medium 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. The greater risk profile and other characteristics of the GEM mean that it is a market more suited to professional and other sophisticated investors.

Given that the companies listed on the GEM are generally small & medium 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.

*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 of Hong Kong Limited (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

INTERIM RESULTS

The board of Directors (the "**Board**") of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 November 2019 (the "**Interim Financial Statements**") together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 November 2019

		Three months ended 30 November		**Six months ended 30 November**	
		2019	2018	**2019**	2018
	Note	***RM'000***	*RM'000*	***RM'000***	*RM'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*5*	**6,782**	6,620	**13,654**	14,939
Cost of sales		**(4,639)**	(5,007)	**(9,294)**	(11,261)
Gross profit		**2,143**	1,613	**4,360**	3,678
Other income		**197**	79	**449**	334
Administrative expenses		**(2,715)**	(1,706)	**(5,072)**	(4,025)
Selling and distribution expenses		**(275)**	(237)	**(533)**	(547)
Finance costs	*6*	**(58)**	(3)	**(113)**	(8)
Loss before taxation		**(708)**	(254)	**(909)**	(568)
Taxation	*8*	**(273)**	(113)	**(531)**	(301)
Loss for the period	*7*	**(981)**	(367)	**(1,440)**	(869)
Other comprehensive loss items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		**(34)**	8	**(14)**	234
Total comprehensive loss for the period		**(1,015)**	(359)	**(1,454)**	(635)
Loss per share					
— Basic *(RM cents)*	*9*	**(0.16)**	(0.06)	**(0.23)**	(0.14)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2019

	Note	**30 November 2019** *RM'000* **(unaudited)**	31 May 2019 *RM'000* (audited)
Non-Current Assets			
Property, plant and equipment		**4,700**	4,854
Investment property		**376**	381
Right of use assets		**32**	—
Deferred Tax Assets		**1,960**	74
Total Non-Current Assets		**7,068**	5,309
Current Assets			
Inventories		**1,565**	1,780
Receivables, deposits and prepayment	*11*	**14,217**	13,501
Right of use assets		**2,702**	—
Amount owing from ultimate holding company	*12*	**14**	9
Amount owing from a shareholder	*12*	**11**	7
Tax recoverable		**209**	527
Short-term bank deposits	*13*	**9,140**	6,034
Cash on hand and at bank		**10,968**	14,909
Total Current Assets		**38,826**	36,767
Current Liabilities			
Payables and accrued charges	*14*	**6,686**	6,361
Leased liabilities		**2,686**	—
Tax payable		**51**	—
		9,423	6,361
Net Current Assets		**29,403**	30,406
Total Assets Less Current Liabilities		**36,471**	35,715

	Note	30 November 2019 RM'000 (unaudited)	31 May 2019 RM'000 (audited)
Non-Current Liabilities			
Leased liabilites		**2,210**	281
Deferred tax liabilities		**281**	—
Total Non-Current Liability		**2,491**	281
Net Assets		**33,980**	35,434
Capital and Reserves			
Share capital	*15*	**3,382**	3,382
Share premium		**19,891**	19,891
Other reserve		**8,579**	8,579
Translation reserve		**(597)**	(583)
Retained profits		**2,725**	4,165
Total Equity		**33,980**	35,434

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2019

	Share capital *RM'000*	Share premium *RM'000*	Other reserve *RM'000*	Translation reserve *RM'000*	Retained profits *RM'000*	Total *RM'000*
At 31 May 2018 (audited)	3,382	19,891	8,579	(974)	6,814	37,692
Loss for the period	–	–	–	–	(869)	(869)
Exchange differences arising on translation of foreign operations	–	–	–	234	–	234
Total comprehensive loss for the period	–	–	–	234	(869)	(635)
At 30 November 2018 (unaudited)	3,382	19,891	8,579	(740)	5,945	37,057
At 31 May 2019 (audited)	**3,382**	**19,891**	**8,579**	**(583)**	**4,165**	**35,434**
Loss for the period	—	—	—	—	**(1,440)**	**(1,440)**
Exchange differences arising on translation of foreign operations	—	—	—	**(14)**	—	**(14)**
Total comprehensive loss for the period	—	—	—	**(14)**	**(1,440)**	**(1,454)**
At 30 November 2019 (unaudited)	**3,382**	**19,891**	**8,579**	**(597)**	**2,725**	**33,980**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2019

	Six months ended 30 November	
	2019	2018
	RM'000	*RM'000*
	(unaudited)	(audited)
Net Cash Used In Operating Activities	**665**	(5,358)
INVESTING ACTIVITIES		
Interest received	**209**	19
Purchase of property, plant and equipment	**(306)**	(878)
Advanced to a shareholder	**—**	(4)
Net Cash Used In Investing Activities	**(97)**	(863)
FINANCING ACTIVITIES		
Finance costs paid	**(113)**	(8)
Repayment of leased liabilities	**(1,202)**	—
NET CASH USED IN FINANCING ACTIVITIES	**(1,315)**	(8)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(747)**	(6,229)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,943**	21,476
Effects of exchange differences	**(88)**	908
CASH AND CASH EQUIVALENTS AT END OF PERIOD REPRESENTED BY	**20,108**	16,155
Short-term bank deposits	**9,140**	1,018
Cash on hand and at bank	**10,968**	15,137

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 November 2019

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange since 19 July 2017. The Company was incorporated in the Cayman Islands as a private limited liability company on 28 October 2016. The addresses of the Company's registered office in the Cayman Islands and headquarters and principal place of business in Malaysia 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. The principal place of business in Hong Kong is Room 101, 1/F, Chung Nam Building, 1 Lockhart road, Wanchai, Hong Kong.

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

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

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited consolidated financial statements of the Group for the six months ended 30 November 2019 have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 May 2019 (the "**2019 Annual Financial Statements**"), except for the adoption of the new and revised IFRSs which are effective for the financial year begin on or after 1 June 2019. The adoption of the new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2019 Annual Financial Statements.

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

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSS

Application of new and amendments to IFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 June 2019 for the preparation of the Group's condensed consolidated financial statements:

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 as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current period. IFRS 16 superseded IAS 17 Leases and the related interpretations.

3.1.1. Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

<u>Allocation of consideration to components of a contract</u>

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Applies practical expedient and includes non-lease components in right-of-use assets/lease liabilities

The Group also applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Excludes non-lease components

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payment includes fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 June 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 June 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RM2,522,000 and right-of-use assets of RM2,522,000 at 1 June 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.5%.

	At 1 June 2019 *RM'000*
Operating lease commitments disclosed as at 31 May 2019	**2,541**
Lease liabilities discounted at relevant incremental borrowing rates	**2,522**
Lease liabilities as at 1 June 2019	**2,522**
Analysed as	
Current	**1,307**
Non-current	**1,215**
	2,522

The carrying amount of right-of-use assets as at 1 June 2019 comprises the following:

	Right-of-use assets *RM'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	**2,522**
	2,522
By class:	
Properties	**2,522**
	2,522

4. ESTIMATES

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Annual Financial Statements.

5. REVENUE AND SEGMENTAL INFORMATION

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

(a) Manufacturing and trading — manufacturing and trading of precast concrete junction boxes;

(b) Other building materials and services — trading of accessories and pipes and provision of mobile crane rental and ancillary services; and

(c) Japanese catering services — provision of Japanese catering services.

(d) Sourcing services — provision of sourcing services.

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

Segment revenues and results

Six months ended 30 November 2019 (unaudited)

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Japanese catering services *RM'000*	Sourcing services *RM'000*	Total *RM'000*
Revenue					
External sales	10,082	1,961	1,527	84	13,654
Inter-segment sales	3,403	358	—	—	3,761
Segment revenue	13,485	2,319	1,527	84	17,415
Elimination					(3,761)
Group revenue					13,654
Segment result	3,213	222	885	40	4,360
Administrative expenses					(5,072)
Selling and distribution expenses					(533)
Finance costs					(113)
Other income					449
Loss before taxation					(909)

Six months ended 30 November 2018 (unaudited)

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Japanese catering services *RM'000*	Total *RM'000*
Revenue				
External sales	9,580	3,834	1,525	14,939
Inter-segment sales	3,120	575	—	3,695
Segment revenue	12,700	4,409	1,525	18,634
Elimination				(3,695)
Group revenue				14,939
Segment result	2,500	228	950	3,678
Administrative expenses				(4,025)
Selling and distribution expenses				(547)
Finance costs				(8)
Other income				334
Loss before taxation				(568)

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

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

6. FINANCE COSTS

	Three months ended 30 November		**Six months ended 30 November**	
	2019	2018	**2019**	2018
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest expense on:				
Other facilities	**1**	1	**1**	4
Commitment fees	**2**	2	**5**	4
Leased liabilities interest	**55**	—	**107**	—
	58	3	**113**	8

7. LOSS FOR THE PERIOD

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

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	**2019**	2018
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Auditor remuneration	**178**	127	**356**	252
Cost of inventories recognised as an expense	**3,412**	3,683	**6,925**	7,701
Staff costs, excluding Directors' remuneration:				
— Salaries, wages and other benefits	**1,226**	1,214	**2,532**	2,661
— Contribution to EPF	**55**	93	**148**	196
	1,281	1,307	**2,680**	2,857
Minimum lease payments on:				
Factory	**—**	120	**—**	240
Crane	**4**	4	**4**	8
Shop	**—**	161	**—**	328
Staff accommodation	**5**	5	**10**	10
Office equipment	**4**	6	**6**	8
Depreciation on:				
Property, plant and equipment	**294**	173	**460**	334
Investment property	**3**	3	**5**	5
Amortisation of right of use assets	**779**	—	**1,436**	—
Unrealised loss/(gain) on foreign exchange	**15**	113	**75**	(673)
Interest income	**(138)**	(10)	**(209)**	(19)

8. TAXATION

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	**2019**	2018
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Malaysia corporate income tax:				
Current period	**273**	113	**531**	301
Deferred tax:				
	273	113	**531**	301

Malaysia corporate income tax rate is calculated at the statutory tax rate on the estimated assessable profits for each of the assessable period.

Note:

Under the Income Tax Act, 1967 of Malaysia, small and medium sized enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 18% and 17% for the periods ended 30 November 2018 and 30 November 2019, 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 periods ended 30 November 2018 and 30 November 2019 respectively.

9. LOSS PER SHARE

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

	Three months ended 30 November		Six months ended 30 November	
	2019	2018	**2019**	2018
	RM'000	*RM'000*	*RM'000*	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Loss for the purpose of calculating basic loss per share for the period attributable to the owners of the Company	**(0.16)**	(0.06)	**(0.23)**	(0.14)
	Number of shares	Number of shares	**Number of shares**	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**620,000,000**	620,000,000	**620,000,000**	620,000,000

No diluted loss per share information has been presented for the six months ended 30 November 2018 and 2019 as the Company has no potential ordinary shares outstanding during both periods.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 November 2019 (30 November 2018: Nil).

11. RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 November 2019 *RM'000* **(unaudited)**	31 May 2019 *RM'000* (unaudited)
Trade receivables	**16,063**	10,060
Less: Allowance for doubtful debts	**(256)**	(129)
	15,807	9,931
Other receivables	**2,063**	2,755
Deposits	**1,185**	746
Prepayments	**105**	69
	19,160	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.

	30 November 2019 *RM'000* **(unaudited)**	31 May 2019 *RM'000* (unaudited)
1–30 days	**4,471**	3,373
31–60 days	**2,323**	1,264
61–90 days	**1,434**	1,037
91–120 days	**1,111**	296
More than 120 days	**6,468**	3,961
	15,807	9,931

12. AMOUNTS OWING FROM ULTIMATE HOLDING COMPANY AND A SHAREHOLDER

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

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

13. SHORT TERM BANK DEPOSITS

Short-term bank deposits of the Group have an average maturity ranging from 1 to 3 months. The average interest rates of deposits of the Group are ranging from 2.19% to 3.60% and ranging from 2.70% to 3.70% per annum as at 31 May 2019 and 30 November 2019 respectively. Included in the short-term bank deposits are amounts totaling RM1,034,000 and RM1,140,000 that have been pledged to secure general banking facilities granted to the Group as at 31 May 2019 and 30 November 2019 respectively.

14. PAYABLES AND ACCRUED CHARGES

	30 November 2019 *RM'000* **(unaudited)**	31 May 2019 *RM'000* (unaudited)
Trade payables	**3,674**	4,087
Accrued charges	**1,383**	1,645
Other payables	**1,157**	616
Advance from customers	**472**	13
	6,686	6,361

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

	30 November 2019 *RM'000* **(unaudited)**	31 May 2019 *RM'000* (unaudited)
1–30 days	**1,223**	1,628
31–60 days	**1,057**	1,665
61–90 days	**807**	698
91–120 days	**439**	89
Over 120 days	**148**	7
	3,674	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.

15. SHARE CAPITAL

	Number of shares	Share capital	
	'000	*HK$'000*	*RM'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At 31 May 2019 and at 30 November 2019	10,000,000	100,000	
Issued and fully paid:			
At 31 May 2019 and at 30 November 2019	620,000	6,200	3,382

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

Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, the Company has conditionally adopted a share option scheme. No option was granted as at the date of this announcement.

16. EVENT AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 30 November 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

For the six months ended 30 November 2019, the revenue of the Group decreased by approximately 8.6% due to the decrease in the revenue generated from the Manufacturing and Trading Business.

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

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RM14.9 million for the six months ended 30 November 2018 to approximately RM13.7 million for the six months ended 30 November 2019, representing a decrease of approximately 8.6%. Such decrease was mainly due to the decrease of the revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue remained relatively stable and slightly increased by approximately 5.2%, from approximately RM9.6 million for the period ended 30 November 2018 to approximately RM10.1 million for the period ended 30 November 2019.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 48.9%, from approximately RM3.8 million for the period ended 30 November 2018 to approximately RM2.0 million for the period ended 30 November 2019. The decrease was mainly caused by the decrease in sales of scrap iron and pipes.

For the Japanese catering services, the revenue remained relatively stable and slighty increased by approximately 0.1%, from approximately RM1,525,000 for the period ended 30 November 2018 to approximately RM1,527,000 for the period ended 30 November 2019.

The Group is exploring opportunities in diversification of business risk with a view to maximise returns to the Group and shareholders of the Company as a whole in the long run. The Group has expanded into sourcing services and generated approximately RM84,000 for the period ended 30 November 2019.

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 RM11.3 million for the six months ended 30 November 2018 to approximately RM9.3 million for the six months ended 30 November 2019, decrease of approximately 17.5%. Such change was mainly attributable to the decrease in sales of trading of other building materials for the six months ended 30 November 2019.

The Gross Profit increased from approximately RM3.7 million for the six months ended 30 November 2018 to approximately RM4.4 million for the six months ended 30 November 2019.

Administrative expenses

Administrative expenses of the Group increased by approximately RM1.0 million or 26.0% from approximately RM4.0 million for the six months ended 30 November 2018 to approximately RM5.0 million for the six months ended 30 November 2019.

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 and amortisation of right of use assets.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased slightly by approximately RM14,000 or 2.6% from approximately RM547,000 for the six months ended 30 November 2018 to approximately RM533,000 for the six months ended 30 November 2019.

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 selling and distribution expenses remained stable when compared to last year same period.

Loss for the period

The Group recorded a net loss of approximately RM1.45 million for the six months ended 30 November 2019 due to the net effect of (i) the increase in the administrative expenses incurred by the Group for the six months ended 30 November 2019; (ii) the decrease in revenue of the Group for the six months ended 30 November 2019; and (iii) the slight decrease in the cost of sales of the Group for the six months ended 30 November 2019.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 November 2019, the Company did not have any significant investments held.

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 November 2019. There is no specific future plan for material investments or capital assets as at the date of this announcement.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2019, the Group's cash and cash equivalents was approximately RM20.1million (31 May 2019: approximately RM20.9 million).

As at 30 November 2019, the Group's had no borrowings (31 May 2019: Nil).

As at 30 November 2019, the Group's current ratio was 4.12 (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 30 November 2019 (31 May 2019: Nil), which is calculated based on the total interest-bearing loans divided by the total equity.

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

CAPITAL STRUCTURE

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

As at 30 November 2019, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM3.4 million and approximately RM30.6 million respectively (31 May 2019: RM3.4 million and RM32.1 million respectively).

CAPITAL COMMITMENTS

As at 30 November 2019, the Group had no capital commitments in respect of the acquisition of property, plant and equipment (31 May 2019: Nil).

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

As at 30 November 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Ordinary Shares of the Company

Name of Director/Chief Executive	Capacity/Nature of Interest	Number of shares interested	Percentage of the Company's issued share capital as at 30 November 2019
Mr. Loh Swee Keong *(Note 2)*	Interest in controlled corporation	238,620,000 (L) *(Note 1)*	38.49%

Notes:

(1) The letter (L) denotes the person's long interest in the Shares.

(2) Merchant World Investments Limited is a company incorporated in the BVI and is wholly-owned by Mr. Loh Swee Keong. Mr. Loh Swee Keong is deemed to be interested in all the Shares held by Merchant World Investments Limited for the purpose of the SFO.

Save for disclosed above, as at 30 November 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 November 2019, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Ordinary Shares of the Company

Name	Capacity/Nature of Interest	Number of shares interested	Percentage of the Company's issued share capital as at 30 November 2019
Merchant World Investments Limited	Beneficial owner	238,620,000 (L) *(Note 1)*	38.49%
Ms. Woon Sow Sum *(Note 2)*	Interest of spouse	238,620,000 (L)	38.49%
Greater Elite Holdings Limited	Beneficial owner	122,980,000 (L)	19.84%
Mr. Law Fung Yuen Paul *(Note 3)*	Interest in controlled corporation	122,980,000 (L)	19.84%
Ms. Cheng Lai Wah Christina *(Note 4)*	Interest of spouse	122,980,000 (L)	19.84%

Name	Capacity/Nature of Interest	Number of shares interested	Percentage of the Company's issued share capital as at 30 November 2019
Mr. Fung Tak, Andrew	Beneficial owner	58,856,000 (L)	9.49%
Ms. Lo Pui Chu, Amy *(Note 5)*	Interest of spouse	58,856,000 (L)	9.49%
Mr. Fung Hong, Albert	Beneficial owner	55,804,000 (L)	9.00%
Ms. Cho Ka Lai *(note 6)*	Interest of spouse	55,804,000 (L)	9.00%

Notes:

(1) The letter (L) denotes the person's long interest in the Shares.

(2) Ms. Woon Sow Sum is the spouse of Mr. Loh Swee Keong and is deemed, or taken to be interested in all Shares in which Mr. Loh Swee Keong has interest under the SFO.

(3) Greater Elite Holdings Limited is a company incorporated in the BVI and is wholly-owned by Mr. Law Fung Yuen Paul. Mr. Law Fung Yuen Paul is deemed to be interested in all the Shares held by Greater Elite Holdings Limited for the purpose of the SFO.

(4) Ms. Cheng Lai Wah Christina is the spouse of Mr. Law Fung Yuen Paul and is deemed, or taken to be interested in all Shares in which Mr. Law Fung Yuen Paul has interest under the SFO.

(5) Ms. Lo Pui Chu, Amy is the spouse of Mr. Fung Tak, Andrew and is deemed, or taken to be interested in all the Shares in which Mr. Fung Tak, Andrew has interest under the SFO.

(6) Ms. Cho Ka Lai is the spouse of Mr. Fung Hong, Albert and is deemed, or taken to be interested in all the Shares in which Mr. Fung Hong, Albert has interest under the SFO.

Save for disclosed above, as at 30 November 2019, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHARGE ON GROUP'S ASSETS

As at 30 November 2019, 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.

FOREIGN CURRENCY RISK

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 November 2019 (six months ended 30 November 2018: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2019, we had 92 employees who are located in Malaysia and the Hong Kong Special Administrative Region. The Group generally recruits employees from the open market by placing recruitment advertisements. The Group entered into individual labour contracts with each of the employees in accordance with the applicable labour laws of Malaysia and the Hong Kong Special Administrative Region, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package that the Group offers to the employees includes salary, bonuses, allowances and medical benefits. In general, the Group determines an employee's salary based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. The Group has designed and implemented a review system to assess the performance of our employees once a year, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

PRINCIPAL RISK AND UNCERTAINTIES

Operational risk

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

(a) Fluctuation in the prices of our major raw materials may have adverse impacts on the Group's financial results;

(b) The Group's revenue is mainly derived from the manufacturing and sale of precast concrete junction boxes to its customers for infrastructure upgrades and expansion work for construction projects, which are nonrecurrent in nature and there is no guarantee that the customers will place new business purchase orders; and

(c) The Group's cash flow position may deteriorate owing to a mismatch between the time of receipt of payments from its customers and payments to its suppliers if the Group is unable to manage its cash flow mismatch properly.

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

Financial risks

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

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on 19 July 2017 on the GEM by Share Offer (the "**Listing**"). The Offer Price was HK$0.28 per Offer Share. 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 utilised up to the date of this announcement in accordance with the proposed applications set out in the section "Net Proceeds from The Share Offer" of the announcement "Offer Price and Allotment Results". The table below lists out the applications of the net proceeds and usage up to the date of this announcement.

During the review period, the Group has applied the net proceeds as follow:

	Net proceeds from the share offer *HK$ million*	Amount utilised up to 30 November 2019 *HK$ million*	Unutilised balance up to 30 November 2019 *HK$ million*
Expansion of production capacity through			
(i) expanding our Selangor Plant;	7.0	3.5	3.5 Note b&d
(ii) completing the establishment of our new Kulaijaya Plant; and	7.3	1.3	6 Note c&d
(iii) recruiting new staff	2.6	0.5	2.1 Note e
Acquisition of a parcel of land in Southern Malaysia	8.4	—	8.4 Note f
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 g
Expansion of our sales and marketing team	0.8	0.5	0.3 Note h
General working capital	0.8	0.8	—
Total	29.6	6.6	23.0

Notes:

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

(b) A sum of approximately HK$3.5 million has not been utilised as at 30 November 2019. The Group intends to use up this sum for expanding our Selangor Plant by 30 November 2020.

(c) A sum of approximately HK$6.0 million has not been utilised as at 30 November 2019. The Group will use up this sum for completing the establishment of the New Kulaijaya Plant by 30 November 2020.

(d) In view of the dropping in revenue in 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. The Group will closely monitor both the internal and the external factors and will decide on the expansion of production capacity in due course.

(e) A sum of approximately HK$2.1 million has not been utilised as at 30 November 2019. The Group intends to use up this sum by 30 November 2020.

(f) A sum of approximately HK$8.4 million has not been utilised as at 30 November 2019. The Group intends to use up this sum by 30 November 2020.

(g) A sum of approximately HK$2.7 million has not been utilised as at 30 November 2019. The Group intends to use up this sum by 30 November 2020. As at 30 November 2019, the Directors had not identified any acquisition target.

(h) A sum of approximately HK$0.3 million has not been utilised as at 30 November 2019. The Group intends to use up this sum by 30 November 2020.

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.

CONTINGENT LIABILITIES

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

CORPORATE GOVERNANCE PRACTICES

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

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

Save as disclosed above, for the six months ended 30 November 2019, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

SHARE OPTION SCHEME

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

The Company conditionally adopted the Share Option Scheme on 27 June 2017 whereby the Board is authorised, at its absolute discretion and subject to the terms of the Share Option Scheme, to grant options to the Eligible Participants to subscribe for the shares of the Company. The Share Option Scheme will be valid and effective for a period of ten years from the date of the 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 shareholders in general meeting; and/or (ii) grant options beyond the Scheme Limit to Eligible Participants specifically identified by the Board.

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

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

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

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

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

During the six months ended 30 November 2019, other than the share option scheme is set out above, the Company did not enter into the other equity-linked agreement, nor did any other equity-linked agreement exist during the period under review.

As at 30 November 2019, no share option has been granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 November 2019 and up to the date of this announcement, the Group has compiled with the relevant laws and regulations that have a significant impact on the operations of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the six months ended 30 November 2019 to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 November 2019.

DIRECTOR'S INTEREST OF COMPETING BUSINESS

During the six months ended 30 November 2019, the Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business or any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months 30 November 2019 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

INTEREST OF THE COMPLIANCE ADVISER

As notified by Ever-Long Securities Company Limited ("**Ever-Long**"), the 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 30 November 2019.

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

Hong Kong, 10 January 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.