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

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

**(Stock Code: 8427)**

**ANNOUNCEMENT OF FIRST QUARTERLY RESULTS  
FOR THE THREE MONTHS ENDED 31 AUGUST 2020**

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

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

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

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

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 August 2020 together with the unaudited comparative figures for the corresponding period in 2019 as follows:

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

*For the three months ended 31 August 2020*

		<b>Three months ended</b>	
		<b>31 August</b>	
	<i>Note</i>	<b>2020</b>	2019
		<b><i>RM’000</i></b>	<i>RM’000</i>
		<b>(unaudited)</b>	(unaudited)
Revenue	3	<b>5,194</b>	6,872
Cost of sales		<u><b>(4,001)</b></u>	<u>(4,655)</u>
Gross profit		<b>1,193</b>	2,217
Other income		<b>289</b>	252
Administrative expenses		<b>(1,357)</b>	(2,357)
Selling and distribution expenses		<b>(216)</b>	(258)
Finance costs	4	<u><b>(39)</b></u>	<u>(55)</u>
Loss before taxation		<b>(130)</b>	(201)
Taxation	5	<u><b>(125)</b></u>	<u>(258)</u>
Loss for the period	6	<u><b>(255)</b></u>	<u>(459)</u>
Other comprehensive loss items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u><b>(279)</b></u>	<u>20</u>
Total comprehensive loss for the period		<u><b>(534)</b></u>	<u>(439)</u>
Loss per share			
Basic ( <i>RM cents</i> )	8	<u><b>(0.04)</b></u>	<u>(0.07)</u>

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

*For the three months ended 31 August 2020*

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Retained profits/ (Accumulated loss) <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2019 (audited)	3,382	19,891	8,579	(583)	4,165	35,434
Loss for the period	-	-	-	-	(459)	(459)
Exchange differences arising on translation of foreign operations	-	-	-	20	-	20
Total comprehensive loss for the period	-	-	-	20	(459)	(439)
At 31 August 2019 (unaudited)	3,382	19,891	8,579	(563)	3,706	34,995
At 31 May 2020 (audited)	<b>3,765</b>	<b>24,290</b>	<b>8,579</b>	<b>(263)</b>	<b>(263)</b>	<b>36,108</b>
Loss for the period	-	-	-	-	(255)	(255)
Exchange differences arising on translation of foreign operations	-	-	-	(279)	-	(279)
Total comprehensive loss for the period	-	-	-	(279)	(255)	(534)
At 31 August 2020 (unaudited)	<b>3,765</b>	<b>24,290</b>	<b>8,579</b>	<b>(542)</b>	<b>(518)</b>	<b>35,574</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 August 2020*

## 1. GENERAL INFORMATION

SK Target Group Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability on 28 October 2016 and its ordinary shares are listed on the GEM of The Stock Exchange of Hong Kong Limited since 19 July 2017. The addresses of the registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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

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

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

## 2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2020 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 2020, except for the new and revised IFRSs, which are effective for the financial year beginning on or after 1 June 2020. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

### Application of new and revised IFRSs

During the period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 June 2020. 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 2020. The Directors anticipate that the new and revised IFRSs will be adopted in the Group's unaudited condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

### 3. REVENUE

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

	Three months ended	
	31 August	
	2020	2019
	RM'000	RM'000
	(unaudited)	(unaudited)
Manufacturing and trading	3,677	5,113
Other building materials and services	1,067	901
Japanese catering services	428	782
Sourcing services	22	76
	<u>5,194</u>	<u>6,872</u>

### 4. FINANCE COSTS

	Three months ended	
	31 August	
	2020	2019
	RM'000	RM'000
	(unaudited)	(unaudited)
Interest expense on:		
Other facilities	–	1
Commitment fees	2	2
Leased liabilities interest	37	52
	<u>39</u>	<u>55</u>

## 5. TAXATION

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2020</b>	2019
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
Malaysia corporate income tax:		
Current period	<b>125</b>	258
Deferred tax	<u>          -</u>	<u>          -</u>
	<b><u>          125</u></b>	<b><u>          258</u></b>

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

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

*Note:* Under the Income Tax Act, 1967 of Malaysia, small and medium enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 17% and 17% for the periods ended 31 August 2019 and 31 August 2020, on chargeable income amounting to RM500,000 and RM600,000 or less respectively. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the periods ended 31 August 2019 and 31 August 2020 respectively.

## 6. LOSS FOR THE PERIOD

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

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2020</b>	2019
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
Auditor remuneration	<b>110</b>	178
Cost of inventories recognised as an expense	<b>2,970</b>	3,513
Staff costs, excluding directors' remuneration:		
– Salaries, wages and other benefits	<b>810</b>	1,306
– Contribution to EPF	<b>58</b>	94
	<b>868</b>	1,400
Lease payments not included in the measurement of lease liabilities:		
Crane	<b>5</b>	–
Shop	<b>102</b>	–
Staff accommodation	–	5
Office equipment	<b>4</b>	2
Depreciation on:		
Property, plant and equipment	<b>171</b>	165
Investment property	<b>3</b>	2
Right-of-use assets	<b>159</b>	657
Unrealised loss/(gain) on foreign exchange	<b>(220)</b>	60
Interest income	<b>(94)</b>	(71)
	<b><u>(94)</u></b>	<b><u>(71)</u></b>

## 7. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 August 2020 (2019: Nil).

## 8. LOSS PER SHARE

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

	<b>Three months ended</b>	
	<b>31 August</b>	
	<b>2020</b>	2019
	<b>RM'000</b>	RM'000
	<b>(unaudited)</b>	(unaudited)
Loss for the purpose of calculating basic loss per share: Loss for the period attributable to the owners of the Company	<b>(255)</b>	(459)
	<b>Number of shares</b>	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<b>688,200,000</b>	620,000,000

No diluted loss per share information has been presented for the periods ended 31 August 2019 and 31 August 2020 as the Company has no potential ordinary shares outstanding during both periods ended.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

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

For the three months ended 31 August 2020, the revenue of the Group decreased by approximately 24.42% due to decrease in the revenue generated from the manufacturing and trading of precast concrete junction boxes business affected by the outbreak of the COVID-19 and the slowdown of economy in Malaysia.

Moreover, other factors which include labour shortage and 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 RM6.9 million for the three months ended 31 August 2019 to approximately RM5.2 million for the three months ended 31 August 2020, representing a decrease of approximately 24.42%. Such decrease was mainly due to the decrease of the manufacturing and trading of precast concrete junction boxes business.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue decreased by approximately 28.09%, from approximately RM5.1 million for the period ended 31 August 2019 to approximately RM3.7 million for the period ended 31 August 2020.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue increased by approximately 18.42%, from approximately RM0.9 million for the period ended 31 August 2019 to approximately RM1.1 million for the period ended 31 August 2020. The increase was mainly caused by the increase in sales of steels.

For the Japanese catering services, the revenue decreased by approximately 45.27%, from approximately RM782,000 for the period ended 31 August 2019 to approximately RM428,000 for the period ended 31 August 2020. The decrease is mainly due to the third wave outbreak of COVID-19 in Hong Kong.

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

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

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour; (iv) crane hiring costs; and (v) food costs. The cost of sales decrease from approximately RM4.7 million for the three months ended 31 August 2019 to approximately RM4.0 million for the three months ended 31 August 2020, representing a decrease of approximately 14.05%. Such change was due to the decrease in revenue of manufacturing and trading of precast concrete junction boxes business during the period ended 31 August 2020.

The gross profit decreased from approximately RM2.2 million for the three months ended 31 August 2019 to approximately RM1.2 million for the three months ended 31 August 2020.

### **Administrative expenses**

Administrative expenses of the Group decreased by approximately RM1.0 million or 42.43% from approximately RM2.4 million for the three months ended 31 August 2019 to approximately RM1.4 million for the three months ended 31 August 2020.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees. The decrease was mainly attributable to tighter control on expenses.

### **Selling and distribution expenses**

Selling and distribution expenses of the Group decreased by approximately RM42,000 or 16.28% from approximately RM258,000 for the three months ended 31 August 2019 to approximately RM216,000 for the three months ended 31 August 2020.

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

### **Loss for the period**

The Group recorded a net loss of approximately RM0.26 million for the three months ended 31 August 2020 mainly due to the decrease in revenue of the Group for the three months ended 31 August 2020.

### **SIGNIFICANT INVESTMENTS HELD**

During the three months ended 31 August 2020, the Company did not have any significant investments held.

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the three months ended 31 August 2020. There is no specific future plan for material investments or capital assets as at the date of this announcement.

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

As at 31 August 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Sections 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

<b>Name of Director/ Chief Executive</b>	<b>Capacity/Nature of Interest</b>	<b>Number of issued ordinary shares held/ interested</b>	<b>Approximate percentage of issued share capital of the Company</b>
Mr. Loh Swee Keong ( <i>Note 2</i> )	Interest in controlled corporation	238,620,000 (L) ( <i>Note 1</i> )	34.67%

*Notes:*

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

Save for disclosed above, as at 31 August 2020, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 August 2020, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

## Ordinary Shares of the Company

<b>Name of Director/ Chief Executive</b>	<b>Capacity/ Nature of Interest</b>	<b>Number of shares held/ interested</b>	<b>Approximate percentage of share holding</b>
Merchant World Investments Limited	Beneficial owner	238,620,000 (L) <i>(Note 1)</i>	34.67%
Ms. Woon Sow Sum <i>(Note 2)</i>	Interest of spouse	238,620,000 (L)	34.67%
Greater Elite Holdings Limited	Beneficial owner	122,980,000 (L)	17.87%
Mr. Law Fung Yuen Paul <i>(Note 3)</i>	Interest in controlled corporation	122,980,000 (L)	17.87%
Ms. Cheng Lai Wah Christina <i>(Note 4)</i>	Interest of spouse	122,980,000 (L)	17.87%
Mr. Fung Tak, Andrew <i>(Note 5)</i>	Beneficial owner and joint interest	83,536,000 (L)	12.13%
Mr. Fung Hong, Albert <i>(Note 6)</i>	Beneficial owner and joint interest	83,536,000 (L)	12.13%
Ms. Lo Pui Chu, Amy <i>(Note 7)</i>	Interest of spouse	83,536,000 (L)	12.13%
Ms. Cho Ka Lai <i>(Note 8)</i>	Interest of spouse	83,536,000 (L)	12.13%

*Notes:*

- (1) The letter (L) denotes the person's long interest in the Shares.
- (2) Ms. Woon Sow Sum is the spouse of Mr. Loh Swee Keong and is deemed, or taken to be interested in all Shares in which Mr. Loh Swee Keong has interest under the SFO.
- (3) Greater Elite Holdings Limited is a company incorporated in the BVI and is wholly-owned by Mr. Law Fung Yuen Paul. Mr. Law Fung Yuen Paul is deemed to be interested in all the Shares held by Greater Elite Holdings Limited for the purpose of the SFO.
- (4) Ms. Cheng Lai Wah Christina is the spouse of Mr. Law Fung Yuen Paul and is deemed, or taken to be interested in all Shares in which Mr. Law Fung Yuen Paul has interest under the SFO.
- (5) Mr. Fung Tak, Andrew is interested in 83,536,000 shares jointly with Mr. Fung Hong, Albert.
- (6) Mr. Fung Hong, Albert is interested in 83,536,000 shares jointly with Mr. Fung Tak, Andrew.
- (7) Ms. Lo Pui Chu, Amy is the spouse of Mr. Fung Tak, Andrew and is deemed, or taken to be interested in all the Shares in which Mr. Fung Tak, Andrew has interest under the SFO.
- (8) Ms. Cho Ka Lai is the spouse of Mr. Fung Hong, Albert and is deemed, or taken to be interested in all the Shares in which Mr. Fung Hong, Albert has interest under the SFO.

Save for disclosed above, as at 31 August 2020, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 31 August 2020, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (31 August 2019: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

## **FOREIGN CURRENCY RISK**

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

## **CONTINGENT LIABILITIES**

The Group had no contingent liabilities as at 31 August 2020.

## **FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS**

On 17 April 2020, the Company entered into a Subscription Agreement with Mr. Ho Ivan Siu-Hin (the "**Subscriber**"), pursuant to which the Subscriber agreed to subscribe and the Company agreed to issue a total of 68,200,000 new ordinary shares at par value of HK\$0.01 per share of the Company at the price of HK\$0.125 per share (the "**Subscription Shares**") and the net subscription price per Subscription Share was approximately HK\$0.1246. The aggregate nominal value of the Subscription Shares was HK\$682,000. The market price was HK\$0.15 per share on 17 April 2020. The Subscription Shares have been issued pursuant to the general mandate to allot and issue up to a maximum of 124,000,000 shares granted to the Directors of the Company by a resolution of the shareholders passed at the Company's annual general meeting held on 25 November 2019. The subscription completed on 8 May 2020. The net proceeds of approximately HK\$8,500,000 was intended to be used as general working capital of the Group and the net proceed has been fully utilized as general working capital up to the period ended 31 August 2020.

## **CORPORATE GOVERNANCE PRACTICES**

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

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

Save as disclosed above, for the three months ended 31 August 2020, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## **SHARE OPTION SCHEME**

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

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

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

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

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

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

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

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

During the three months ended 31 August 2020, other than the share option scheme is set out above, the Company did not enter into the other equity-linked agreement, nor did any other equity-linked agreement exist during the period under review.

As at 31 August 2020, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

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

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

## **DIRECTOR'S SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the three months ended 31 August 2020 and up to the date of this announcement.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 August 2020.

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

During the three months ended 31 August 2020, the Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business or any other conflicts of interest which any such person has or may have with the Group.

## **AUDIT COMMITTEE**

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

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2020 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 31 August 2020. Ever-Long has ceased to act as compliance adviser of the Company since 1 June 2020.

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

Hong Kong, 14 October 2020

*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).*