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SK TARGET GROUP LIMITED

瑞強集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8427)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 NOVEMBER 2021

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

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*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 2021 (the “**Interim Financial Statements**”) together with the unaudited comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 November 2021

		Three months ended		Six months ended	
		30 November		30 November	
		2021	2020	2021	2020
	Note	RM'000	RM'000	RM'000	RM'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations					
Revenue	4	6,397	5,271	9,025	10,038
Cost of sales		(5,065)	(3,710)	(7,766)	(7,553)
Gross profit		1,332	1,561	1,259	2,485
Other income		114	136	194	288
Administrative expenses		(867)	(1,847)	(1,856)	(2,832)
Selling and distribution expenses		(232)	(233)	(439)	(449)
Finance costs	5	(19)	(9)	(39)	(28)
Profit (Loss) before taxation		328	(392)	(881)	(536)
Taxation	7	(30)	(247)	(31)	(372)
Profit (Loss) for the period from continuing operations	6	<u>298</u>	<u>(639)</u>	<u>(912)</u>	<u>(908)</u>
Discontinued operation					
Loss for the period from discontinued operation		<u>(41)</u>	<u>(144)</u>	<u>(1)</u>	<u>(130)</u>
Profit (Loss) for the period		<u>257</u>	<u>(783)</u>	<u>(913)</u>	<u>(1,038)</u>

	<i>Note</i>	Three months ended		Six months ended	
		30 November		30 November	
		2021	2020	2021	2020
		<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive profit (loss) items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>69</u>	<u>(136)</u>	<u>79</u>	<u>(415)</u>
Total comprehensive income (loss) for the period		<u>326</u>	<u>(919)</u>	<u>(834)</u>	<u>(1,453)</u>
Earnings (Loss) per share Basic (<i>RM cents</i>)	8		(Restated)		(Restated)
From continuing operations		0.29	(0.74)	(0.91)	(1.06)
From discontinued operation		<u>(0.04)</u>	<u>(0.17)</u>	<u>(0.00)</u>	<u>(0.15)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2021

		30 November 2021 RM'000 (unaudited)	31 May 2021 RM'000 (audited)
Non-Current Assets			
Property, plant and equipment		4,703	4,932
Investment property		359	361
Right of use assets		1,388	1,720
Equity investment		–	22
Deferred tax assets		32	32
		<hr/>	<hr/>
Total Non-Current Assets		6,482	7,067
Current Assets			
Inventories		2,230	2,076
Receivables, deposits and prepayment	10	10,080	9,857
Amount owing from ultimate holding company	11	24	24
Amount owing from a shareholder	11	21	11
Tax recoverable		535	174
Short-term bank deposits	12	10,091	10,080
Cash on hand and at bank		12,250	13,121
		<hr/>	<hr/>
Total Current Assets		35,231	35,343
Current Liabilities			
Payables and accrued charges	13	6,517	7,152
Leased liabilities		189	425
		<hr/>	<hr/>
		6,706	7,577
		<hr/>	<hr/>
Net Current Assets		28,525	27,766
		<hr/>	<hr/>
Total Assets Less Current Liabilities		35,007	34,833

		30 November	31 May
		2021	2021
	<i>Note</i>	RM'000	RM'000
		(unaudited)	(audited)
Non-Current Liabilities			
Leased liabilities		1,102	1,102
Deferred tax liabilities		143	143
		<hr/>	<hr/>
Total Non-Current Liability		1,245	1,245
		<hr/>	<hr/>
Net Assets		33,762	33,588
		<hr/> <hr/>	<hr/> <hr/>
Capital and Reserves			
Share capital	<i>14</i>	4,501	4,277
Reserve		29,261	29,311
		<hr/>	<hr/>
Total Equity		33,762	33,588
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2021

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Accumulated losses <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2020 (audited)	3,765	24,290	8,579	(263)	(263)	36,108
Loss for the period	-	-	-	-	(1,038)	(1,038)
Exchange differences arising on translation of foreign operations	-	-	-	(415)	-	(415)
Total comprehensive loss for the period	-	-	-	(415)	(1,038)	(1,453)
At 30 November 2020 (unaudited)	<u>3,765</u>	<u>24,290</u>	<u>8,579</u>	<u>(678)</u>	<u>(1,301)</u>	<u>34,655</u>
	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Accumulated losses <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2021 (audited)	4,277	26,444	8,579	(596)	(5,116)	33,588
Loss for the period	-	-	-	-	(913)	(913)
Exchange differences arising on translation of foreign operations	-	-	-	79	-	79
Total comprehensive loss for the period	-	-	-	79	(913)	(834)
Issue of subscription shares by newly allotted ordinary shares	224	784	-	-	-	1,008
At 30 November 2021 (unaudited)	<u>4,501</u>	<u>27,228</u>	<u>8,579</u>	<u>(517)</u>	<u>(6,029)</u>	<u>33,762</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2021

	Six months ended	
	30 November	
	2021	2020
	RM'000	RM'000
	(unaudited)	(unaudited)
Net Cash (Used in) Generated From Operating Activities	<u>(1,748)</u>	<u>550</u>
INVESTING ACTIVITIES		
Interest received	161	171
Purchase of property, plant and equipment	(154)	(13)
Decrease in pledged short-term bank deposits	<u>66</u>	<u>69</u>
Net Cash Generated From Investing Activities	<u>73</u>	<u>227</u>
FINANCING ACTIVITIES		
Proceed from issue of shares	1,008	–
Finance costs paid	(5)	(5)
Capital element on lease rental paid	(165)	(847)
Interest element on lease rental paid	<u>(34)</u>	<u>(48)</u>
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	804	(900)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(871)	(123)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	22,044	21,712
Effects of exchange differences	<u>77</u>	<u>(50)</u>

	Six months ended	
	30 November	
	2021	2020
	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	21,250	21,539
REPRESENTED BY:		
Current:		
Short-term bank deposits	10,091	9,000
Cash on hand and at bank	12,250	13,605
	<hr/>	<hr/>
Total	22,341	22,605
Less: Deposits pledged as security	(1,091)	(1,066)
	<hr/>	<hr/>
Cash and cash equivalents	21,250	21,539
	<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 November 2021

1. GENERAL INFORMATION

SK Target Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liability on 28 October 2016. The addresses of the registered office and principal place of business are Windward 3, Regatta Office Park, 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 and sourcing service of materials in Hong Kong.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 November 2021 (the “**Interim Financial Statements**”) have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules.

The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those adopted in the annual report for the year ended 31 May 2021 (the “**2021 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 2021. The adoption of the new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required. The Group has not early adopted any new and revised IFRSs that has been issued but not yet effective in the current accounting period. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2021 Annual Financial Statements.

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

3. ESTIMATES

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2021 Annual Financial Statements.

4. REVENUE AND SEGMENTAL INFORMATION

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

- (a) Manufacturing and trading – manufacturing and trading of precast concrete junction boxes;
- (b) Other building materials and services – trading of accessories and pipes and provision of mobile crane rental and ancillary services; and
- (c) Japanese catering services – provision of Japanese catering services (ceased in June 2021);
- (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 2021 (unaudited)

	Continuing operations			Discontinued operation	Unallocated RM'000	Total RM'000
	Manufacturing and trading RM'000	Other building materials and services RM'000	Sourcing services RM'000	Japanese catering services RM'000		
Revenue						
External sales	7,656	1,357	12	-	-	9,025
Inter-segment sales	1,310	20	-	-	-	1,330
Segment revenue	8,966	1,377	12	-	-	10,355
Elimination						(1,330)
Group revenue						9,025
Segment result	1,094	160	5	-	-	1,259
Administrative expenses				(82)	(1,856)	(1,938)
Selling and distribution expenses					(439)	(439)
Finance costs					(39)	(39)
Other income				81	194	275
Loss before taxation						(882)

Six months ended 30 November 2020 (unaudited)

	Continuing operations			Discontinued operation	Unallocated RM'000	Total RM'000
	Manufacturing and trading RM'000	Other building materials and services RM'000	Sourcing services RM'000	Japanese catering services RM'000		
Revenue						
External sales	8,000	2,016	22	943	-	10,981
Inter-segment sales	<u>2,792</u>	<u>292</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,084</u>
Segment revenue	<u>10,792</u>	<u>2,308</u>	<u>22</u>	<u>943</u>	<u>-</u>	<u>14,065</u>
Elimination						<u>(3,084)</u>
Group revenue						<u>10,981</u>
Segment result	<u>2,273</u>	<u>203</u>	<u>9</u>	<u>581</u>	<u>-</u>	<u>3,066</u>
Administrative expenses				(914)	(2,832)	(3,746)
Selling and distribution expenses					(449)	(449)
Finance costs				(25)	(28)	(53)
Other income				<u>228</u>	<u>288</u>	<u>516</u>
Loss before taxation						<u><u>(666)</u></u>

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

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

5. FINANCE COSTS

	Three months ended 30 November		Six months ended 30 November	
	2021 RM'000 (unaudited)	2020 RM'000 (unaudited)	2021 RM'000 (unaudited)	2020 RM'000 (unaudited)
Continuing operations				
Interest expense on:				
Commitment fees	3	2	5	5
Leased liabilities interest	16	7	34	23
	<u>19</u>	<u>9</u>	<u>39</u>	<u>28</u>

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Three months ended 30 November		Six months ended 30 November	
	2021 RM'000 (unaudited)	2020 RM'000 (unaudited)	2021 RM'000 (unaudited)	2020 RM'000 (unaudited)
Auditor remuneration	94	84	179	168
Cost of inventories recognised as an expense	3,840	2,706	5,778	5,517
Staff costs, excluding Directors' remuneration:				
– Salaries, wages and other benefits	666	694	1,267	1,352
– Contribution to EPF	58	56	109	111
	724	750	1,379	1,463
Lease payments not included in the measurement of lease liabilities:				
Crane	13	5	17	10
Office equipment	4	2	4	6
Depreciation on:				
Property, plant and equipment	195	171	385	342
Investment property	1	3	2	5
Right-of-use assets	95	155	261	770
Unrealised loss/(gain) on foreign exchange	67	(639)	102	(859)
Interest income	(80)	(76)	(161)	(171)
	<u>(80)</u>	<u>(76)</u>	<u>(161)</u>	<u>(171)</u>

7. TAXATION

	Three months ended 30 November		Six months ended 30 November	
	2021	2020	2021	2020
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Continuing operations				
Malaysia corporate income tax:				
Current period	30	247	31	372
Deferred tax	—	—	—	—
	<u>30</u>	<u>247</u>	<u>31</u>	<u>372</u>

Malaysia corporate income tax rate is calculated at the statutory tax rate of 24% for the six months ended 30 November 2021 (six months ended 30 November 2020: 24%) on the estimated assessable profits for each of the assessable period.

Hong Kong Profit Tax is calculated at rate of 16.5% for the six months ended 30 November 2021 (six months ended 30 November 2020: 16.5%) of the estimated assessable profits each of the assessable period. Hong Kong tax has not been provided for both periods as there is no assessable profits for both periods.

8. EARNINGS (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	
	2021	2020	2021	2020
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited) (Restated)	(unaudited)	(unaudited) (Restated)
Earnings (loss) for the purpose of calculating basic earnings (loss) per share for the period attributable to the owners of the Company				
- From continuing operations	0.29	(0.74)	(0.91)	(1.06)
- From discontinued operation	(0.04)	(0.17)	(0.00)	(0.15)
	<u>(unaudited)</u>	<u>(unaudited) (Restated)</u>	<u>(unaudited)</u>	<u>(unaudited) (Restated)</u>
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>103,230,000</u>	<u>86,025,000</u>	<u>100,613,278</u>	<u>86,025,000</u>

No diluted loss per share information has been presented for the six months ended 30 November 2020 and 2021 as the Company has no potential ordinary shares outstanding during both periods.

9. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 November 2021 (six months ended 30 November 2020: Nil).

10. RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 November 2021 RM'000 (unaudited)	31 May 2021 RM'000 (audited)
Trade receivables	11,193	10,633
Less: Allowance for credit losses	(3,270)	(2,988)
	<u>7,923</u>	<u>7,645</u>
Other receivables	116	133
Deposits	1,961	2,014
Prepayments	80	65
	<u>10,080</u>	<u>9,857</u>

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 2021 RM'000 (unaudited)	31 May 2021 RM'000 (audited)
1–30 days	1,398	1,560
31–60 days	1,307	1,743
61–90 days	1,350	1,413
91–120 days	620	549
More than 120 days	3,248	2,380
	<u>7,923</u>	<u>7,645</u>

11. AMOUNTS OWING FROM ULTIMATE HOLDING COMPANY AND A SHAREHOLDER

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

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

12. SHORT TERM BANK DEPOSITS

Short-term bank deposits of the Group have an average maturity ranging from 1 to 3 months. The average interest rates of deposits of the Group are ranging from 1.49% to 3.65% and ranging from 2.13% to 2.95% per annum as at 31 May 2021 and 30 November 2021 respectively. Included in the short-term bank deposits are amounts totaling RM1,157,000 and RM1,091,000 that have been pledged to secure general banking facilities granted to the Group as at 31 May 2021 and 30 November 2021 respectively.

13. PAYABLES AND ACCRUED CHARGES

	30 November 2021 RM'000 (unaudited)	31 May 2021 RM'000 (audited)
Trade payables	4,568	4,904
Accrued charges	1,070	1,370
Other payables	412	465
Advance from customers	467	413
	<hr/> 6,517 <hr/>	<hr/> 7,152 <hr/>

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

	30 November 2021 RM'000 (unaudited)	31 May 2021 RM'000 (audited)
1–30 days	1,083	1,384
31–60 days	1,732	1,400
61–90 days	764	1,463
91–120 days	317	239
Over 120 days	672	418
	<hr/> 4,568 <hr/>	<hr/> 4,904 <hr/>

The average credit period on purchases of goods is 30 to 75 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14. SHARE CAPITAL

	Nominal value HK\$	Number of shares '000	Share capital	
			HK\$'000	RM'000
Ordinary shares of HK\$0.01 each				
Authorised:				
At 31 May 2021	0.01	10,000,000	100,000	
Share consolidation (<i>note a</i>)		<u>(8,750,000)</u>	<u>–</u>	
At 30 November 2021	0.08	<u>1,250,000</u>	<u>100,000</u>	
Issued and fully paid:				
At 31 May 2021		784,200	7,842	4,277
Share consolidation (<i>note a</i>)		(686,175)	–	–
Issue of subscription shares by newly allotted ordinary shares (<i>note b</i>)		<u>5,205</u>	<u>416</u>	<u>224</u>
At 30 November 2021		<u>103,230</u>	<u>8,258</u>	<u>4,501</u>

Notes:

- (a) On 16 August 2021, an ordinary resolution was passed on share consolidation (“**Share Consolidation**”), pursuant to it, every 8 issued and unissued existing shares of par value HK\$0.01 each in the share capital of the Company would be consolidated into 1 consolidated share of par value HK\$0.08 each (“**Consolidated Share**”) in the share capital of the Company. The Share Consolidation became effective on 18 August 2021, the authorised share capital of the Company became HK\$100,000,000 divided into 1,250,000,000 Consolidated Shares of HK\$0.08 each, of which 98,025,000 Consolidated Shares (which are fully paid or credited as fully paid) were in issue.
- (b) On 18 August 2021 (after trading hours), the Company entered into the subscription agreement with the subscriber, the Company allotted and issued subscription shares comprising 5,205,000 ordinary shares at par value of HK\$0.08 each. The gross proceeds were HK\$1,873,800 (equivalent to approximately RM1,008,000) based on the price of HK\$0.36 per share of which a sum of HK\$416,400 (equivalent to approximately RM224,000) has credited to share capital and the balance of HK\$1,457,400 (equivalent to approximately RM784,000) has credited to share premium account.

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

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

15. EVENT AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 30 November 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

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

For the six months ended 30 November 2021, the revenue of the Group decreased by approximately 10.09% due to the decrease in the revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business.

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

With the introduction of the national COVID-19 immunisation programme, the Malaysian Government is putting significant effort to ensure as many Malaysia resident to receive vaccine as possible in the shortest time. Malaysia's economy has been slowly recover after MCO 3.0 occurred in the first quarter. The management is of the view that Malaysia's economy will slowly recover and remains cautiously optimistic about the overall business prospects.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RM10.0 million for the six months ended 30 November 2020 to approximately RM9.0 million for the six months ended 30 November 2021, representing a decrease of approximately 10.09%. 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 business.

For the manufacturing and trading of precast concrete junction boxes business, the revenue decreased by approximately 4.3%, from approximately RM8.0 million for the period ended 30 November 2020 to approximately RM7.6 million for the period ended 30 November 2021.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 32.69%, from approximately RM2.0 million for the period ended 30 November 2020 to approximately RM1.3 million for the period ended 30 November 2021. The decrease was mainly caused by the decrease in sales of steels.

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

Cost of sales and Gross Profit

Costs of sales mainly consists of (i) cost of raw materials and trading products; (ii) manufacturing overheads; (iii) direct labour and (iv) crane hiring costs. The cost of sales slightly increased from approximately RM7.6 million for the six months ended 30 November 2020 to approximately RM7.8 million for the six months ended 30 November 2021, increase of approximately 2.82%. Such change was mainly attributable to the increase in prices of raw materials for the six months ended 30 November 2021.

The Gross Profit decreased from approximately RM2.5 million for the six months ended 30 November 2020 to approximately RM1.3 million for the six months ended 30 November 2021. The decrease is mainly due to the sharp increase in raw material prices.

Administrative expenses

Administrative expenses of the Group decreased by approximately RM976,000 or 34.46% from approximately RM2.8 million for the six months ended 30 November 2020 to approximately RM1.8 million for the six months ended 30 November 2021. The decrease is due to the better control of cost.

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 2.23% from approximately RM449,000 for the six months ended 30 November 2020 to approximately RM439,000 for the six months ended 30 November 2021.

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 from continuing operations

The Group recorded a net loss of approximately RM912,000 for the six months ended 30 November 2021 due to the decrease in revenue of the Group for the six months ended 30 November 2021 which caused by continuous outbreak of COVID-19 and MCO 3.0 occurred in the first quarter.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 November 2021, 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 2021. 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 2021, the Group's cash and cash equivalents was approximately RM22.3 million (31 May 2021: approximately RM23.2 million).

As at 30 November 2021, the Group's had no borrowings (31 May 2021: Nil).

As at 30 November 2021, the Group's current ratio was 5.25 (31 May 2021: 4.66), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was nil as at 30 November 2021 (31 May 2021: 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 2021, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM4.5 million and approximately RM29.2 million respectively (31 May 2021: RM4.3 million and RM29.3 million respectively).

CAPITAL COMMITMENTS

As at 30 November 2021, the Group had no capital commitments in respect of the acquisition of property, plant and equipment (31 May 2021: Nil).

USE OF PROCEEDS FROM THE SHARE OFFER

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

The net proceeds from the Listing have not been fully utilized up to the period ended 30 November 2021 in accordance with the expected timeline set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The following table lists out the updated expected timeline of utilization of the net proceeds and the usage up to the period ended 30 November 2021.

	Net proceeds from the Share Offer <i>HK\$ million</i>	Amount utilized from Listing Date to 31 May 2021 <i>HK\$ million</i>	Amount utilized for the period ended 30 November 2021 <i>HK\$ million</i>	Unutilized balance up to 30 November 2021 <i>HK\$ million</i>	Expected timeframe for intended use
Expansion of production capacity through					
(i) expanding our Existing Selangor Plant (<i>note b</i>)	7.0	(4.6)	(0.2)	2.2	Intends to use up the remaining fund by end of 2022
(ii) completing the establishment of our New Kulaijaya Plant and (<i>note b</i>)	7.3	(2.1)	(0.1)	5.1	Intends to use up the remaining fund by end of 2022
(iii) recruiting new staffs (<i>note b</i>)	2.6	(0.7)	(0.2)	1.7	Intends to use up the remaining fund by end of 2022
Acquisition of a parcel of land in Southern Malaysia (<i>note c</i>)	8.4	–	–	8.4	Intends to use up the remaining fund by end of 2022

	Net proceeds from the Share Offer <i>HK\$ million</i>	Amount utilized from Listing Date to 31 May 2021 <i>HK\$ million</i>	Amount utilized for the period ended 30 November 2021 <i>HK\$ million</i>	Unutilized balance up to 30 November 2021 <i>HK\$ million</i>	Expected timeframe for intended use
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions (<i>note c</i>)	2.7	-	-	2.7	Intends to use up the remaining fund by end of 2022
Expansion of our sales and marketing team (<i>note d</i>)	0.8	(0.8)	-	-	
General working capital (<i>note e</i>)	0.8	(0.8)	-	-	
Total	29.6	(9.0)	(0.5)	20.1	

Notes:

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

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

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

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

As at 30 November 2021, 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 2021
Mr. Loh Swee Keong (Note 2)	Interest in controlled corporation	29,827,500 (L) (Note 1)	28.89%

Notes:

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

Save for disclosed above, as at 30 November 2021, 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 2021, 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 2021
Merchant World Investments Limited	Beneficial owner	29,827,500 (L) <i>(Note 1)</i>	28.89%
Ms. Woon Sow Sum <i>(Note 2)</i>	Interest of spouse	29,827,500 (L)	28.89%
Greater Elite Holdings Limited	Beneficial owner	13,622,500 (L)	13.20%
Mr. Law Fung Yuen Paul <i>(Note 3)</i>	Interest in controlled corporation	13,622,500 (L)	13.20%
Ms. Cheng Lai Wah Christina <i>(Note 4)</i>	Interest of spouse	13,622,500 (L)	13.20%

Notes:

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

Save for disclosed above, as at 30 November 2021, 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 2021, the Group had bank deposits pledged with banks totalling approximately RM1.1 million (31 May 2021: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 November 2021 (six months ended 30 November 2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2021, we had 67 employees who are located in Malaysia and the Hong Kong Special Administrative Region. The Group generally recruits employees from the open market by placing recruitment advertisements. The Group entered into individual labour contracts with each of the employees in accordance with the applicable labour laws of Malaysia and the Hong Kong Special Administrative Region, which cover matters such as wages, employee benefits and grounds for termination. The remuneration package that the Group offers to the employees includes salary, bonuses, allowances and medical benefits. In general, the Group determines an employee's salary based on each employee's qualifications, experience and capability and the prevailing market remuneration rate. The Group has designed and implemented a review system to assess the performance of our employees once a year, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions.

PRINCIPAL RISK AND UNCERTAINTIES

Operational risk

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

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

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

Financial risks

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

FUNDRAISING EXERCISE OF THE COMPANY DURING THE PAST TWELVE MONTHS

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

CONTINGENT LIABILITIES

The Group had no contingent liabilities 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 2021, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

During the six months ended 30 November 2021, 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 2021, 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 2021 and up to the date of this announcement, the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the six months ended 30 November 2021 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 2021.

DIRECTOR'S INTEREST OF COMPETING BUSINESS

During the six months ended 30 November 2021, 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 ended 30 November 2021 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

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

Hong Kong, 13 January 2022

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

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication. This announcement will also be published on the Company’s website at www.targetprecast.com.