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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 2022**

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

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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 2022 (the “**Interim Financial Statements**”) together with the unaudited comparative figures for the corresponding period in 2021 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the three months and six months ended 30 November 2022*

		Three months ended		Six months ended	
		30 November		30 November	
		2022	2021	2022	2021
	Note	RM'000	RM'000	RM'000	RM'000
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>					
Revenue	4	7,245	6,397	16,370	9,025
Cost of sales		(5,662)	(5,065)	(12,700)	(7,766)
Gross profit		1,583	1,332	3,670	1,259
Other income		162	114	520	194
Administrative expenses		(1,235)	(867)	(2,941)	(1,856)
Selling and distribution expenses		(275)	(232)	(548)	(439)
Finance costs	5	(12)	(19)	(27)	(39)
Profit (Loss) before taxation		223	328	674	(881)
Taxation	7	(148)	(30)	(367)	(31)
Profit (Loss) for the period from continuing operations	6	75	298	307	(912)
<b>Discontinued operation</b>					
Loss for the period from discontinued operation		(1)	(41)	(2)	(1)
Profit (Loss) for the period		74	257	305	(913)

	Three months ended		Six months ended	
	30 November		30 November	
	2022	2021	2022	2021
Note	RM'000	RM'000	RM'000	RM'000
	(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>28</u>	<u>69</u>	<u>147</u>	<u>79</u>
Total comprehensive income (loss) for the period	<u><b>102</b></u>	<u>326</u>	<u><b>452</b></u>	<u>(834)</u>
Earnings (Loss) per share				
Basic (RM cents)	8			
From continuing operations	<b>0.06</b>	0.29	<b>0.26</b>	(0.91)
From discontinued operation	<u><b>(0.00)</b></u>	<u>(0.04)</u>	<u><b>(0.00)</b></u>	<u>(0.00)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 November 2022

		<b>30 November 2022 RM'000 (unaudited)</b>	31 May 2022 RM'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment		4,034	4,361
Investment property		355	357
Right of use assets		1,209	1,497
Deferred tax assets		—	—
		<hr/>	<hr/>
<b>Total Non-Current Assets</b>		<b>5,598</b>	6,215
		<hr/>	<hr/>
<b>Current Assets</b>			
Inventories		2,409	3,135
Receivables, deposits and prepayment	10	11,867	9,097
Amount owing from ultimate holding company	11	31	35
Amount owing from a shareholder	11	22	11
Tax recoverable		247	404
Short-term bank deposits	12	19,254	10,110
Cash on hand and at bank		4,271	12,687
		<hr/>	<hr/>
<b>Total Current Assets</b>		<b>38,101</b>	35,479
		<hr/>	<hr/>
<b>Current Liabilities</b>			
Payables and accrued charges	13	7,097	7,119
Leased liabilities		271	537
Tax payables		85	12
		<hr/>	<hr/>
		<b>7,453</b>	7,668
		<hr/>	<hr/>
<b>Net Current Assets</b>		<b>30,648</b>	27,811
		<hr/>	<hr/>
<b>Total Assets Less Current Liabilities</b>		<b>36,246</b>	34,026
		<hr/>	<hr/>

		<b>30 November</b>	31 May
		<b>2022</b>	2022
	<i>Note</i>	<b>RM'000</b>	<b>RM'000</b>
		<b>(unaudited)</b>	(audited)
<b>Non-Current Liabilities</b>			
Leased liabilities		<b>913</b>	913
Deferred tax liabilities		<b>199</b>	199
		<hr/>	<hr/>
<b>Total Non-Current Liability</b>		<b>1,112</b>	1,112
		<hr/>	<hr/>
<b>Net Assets</b>		<b>35,134</b>	32,914
		<hr/> <hr/>	<hr/> <hr/>
<b>Capital and Reserves</b>			
Share capital	<i>14</i>	<b>5,438</b>	4,501
Reserve		<b>29,696</b>	28,413
		<hr/>	<hr/>
<b>Total Equity</b>		<b>35,134</b>	32,914
		<hr/> <hr/>	<hr/> <hr/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 November 2022*

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Accumulated losses <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 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 expense 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>
	<b>Share capital <i>RM'000</i></b>	<b>Share premium <i>RM'000</i></b>	<b>Other reserve <i>RM'000</i></b>	<b>Translation reserve <i>RM'000</i></b>	<b>Accumulated losses <i>RM'000</i></b>	<b>Total <i>RM'000</i></b>
At 31 May 2022 (audited)	4,501	27,228	8,579	(355)	(7,039)	32,914
Loss for the period	-	-	-	-	305	305
Exchange differences arising on translation of foreign operations	-	-	-	147	-	147
Total comprehensive loss for the period	-	-	-	147	305	452
Issue of subscription shares by newly allotted ordinary shares	937	831	-	-	-	1,768
At 30 November 2022 (unaudited)	<u>5,438</u>	<u>28,059</u>	<u>8,579</u>	<u>(208)</u>	<u>(6,734)</u>	<u>35,134</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 November 2022

	<b>Six months ended</b>	
	<b>30 November</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Net Cash Used in Operating Activities</b>	<b>(1,139)</b>	<b>(1,748)</b>
<b>INVESTING ACTIVITIES</b>		
Interest received	<b>266</b>	161
Purchase of property, plant and equipment	<b>(21)</b>	(154)
Decrease in pledged short-term bank deposits	<b>(24)</b>	66
<b>Net Cash Generated From Investing Activities</b>	<b>221</b>	<b>73</b>
<b>FINANCING ACTIVITIES</b>		
Proceed from issue of shares	<b>1,768</b>	1,008
Finance costs paid	<b>(4)</b>	(5)
Capital element on lease rental paid	<b>(289)</b>	(165)
Interest element on lease rental paid	<b>(23)</b>	(34)
<b>NET CASH GENERATED FROM FINANCING ACTIVITIES</b>	<b>1,452</b>	<b>804</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>534</b>	<b>(871)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>21,687</b>	<b>22,044</b>
Effects of exchange differences	<b>170</b>	77

	<b>Six months ended</b>	
	<b>30 November</b>	
	<b>2022</b>	2021
	<b><i>RM'000</i></b>	<i>RM'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>22,391</b>	21,250
<b>REPRESENTED BY:</b>		
Current:		
Short-term bank deposits	<b>19,254</b>	10,091
Cash on hand and at bank	<b>4,271</b>	12,250
	<hr/>	<hr/>
Total	<b>23,525</b>	22,341
Less: Deposits pledged as security	<b>(1,134)</b>	(1,091)
	<hr/>	<hr/>
Cash and cash equivalents	<b>22,391</b>	21,250
	<hr/>	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 November 2022*

## 1. GENERAL INFORMATION

SK Target Group Limited (the “Company”) was incorporated in the Cayman Islands with limited liability on 28 October 2016. The addresses of the registered office and 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; sourcing service of materials and sales of health supplemental products 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 2022 (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 2022 (the “**2022 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 2022. 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 2022 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 2022 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;
- (c) Sourcing services – provision of sourcing services; and
- (d) Sale of health supplement products – sourcing and sales of health supplement products.

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 2022 (unaudited)

	Continuing operations				Discontinued operation		Total RM'000
	Manufacturing and trading RM'000	Other building materials and services RM'000	Sourcing services RM'000	Sale of health supplement products RM'000	Japanese catering services RM'000	Unallocated RM'000	
Revenue							
External sales	12,375	752	12	3,231	-	-	16,370
Inter-segment sales	-	-	-	-	-	-	-
Segment revenue	<u>12,375</u>	<u>752</u>	<u>12</u>	<u>3,231</u>	<u>-</u>	<u>-</u>	<u>16,370</u>
Elimination							<u>-</u>
Group revenue							<u>16,370</u>
Segment result	<u>2,639</u>	<u>89</u>	<u>5</u>	<u>937</u>	<u>-</u>	<u>-</u>	<u>3,670</u>
Administrative expenses					(2)	(2,941)	(2,943)
Selling and distribution expenses						(548)	(548)
Finance costs						(27)	(27)
Other income					-	520	520
Profit before taxation							<u><u>672</u></u>

Six months ended 30 November 2021 (unaudited)

	Continuing operations			Discontinued operation	Unallocated	Total
	Manufacturing and trading	Other building materials and services	Sourcing services	Japanese catering services		
	RM'000	RM'000	RM'000	RM'000	RM'000	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)

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	
	2022 RM'000 (unaudited)	2021 RM'000 (unaudited)	2022 RM'000 (unaudited)	2021 RM'000 (unaudited)
<b>Continuing operations</b>				
Interest expense on:				
Commitment fees	2	3	4	5
Leased liabilities interest	10	16	23	34
	<u>12</u>	<u>19</u>	<u>27</u>	<u>39</u>

## 6. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

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

	Three months ended 30 November		Six months ended 30 November	
	2022 RM'000 (unaudited)	2021 RM'000 (unaudited)	2022 RM'000 (unaudited)	2021 RM'000 (unaudited)
Auditor remuneration	105	94	226	179
Cost of inventories recognised as an expense	4,400	3,840	9,881	5,778
Staff costs, excluding Directors' remuneration:				
– Salaries, wages and other benefits	870	666	1,842	1,267
– Contribution to EPF	64	58	121	109
	934	724	1,963	1,379
Lease payments not included in the measurement of lease liabilities:				
Crane	1	13	2	17
Office equipment	4	4	4	4
Depreciation on:				
Property, plant and equipment	176	195	352	385
Investment property	1	1	2	2
Right-of-use assets	134	95	288	261
Unrealised loss on foreign exchange	279	67	459	102
Interest income	(129)	(80)	(266)	(161)

## 7. TAXATION

	Three months ended 30 November		Six months ended 30 November	
	2022	2021	2022	2021
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Continuing operations</b>				
Malaysia corporate income tax:				
Current period	<b>148</b>	30	<b>367</b>	31
Deferred tax	—	—	—	—
	<b>148</b>	<b>30</b>	<b>367</b>	<b>31</b>

Malaysia corporate income tax rate is calculated at the statutory tax rate of 24% for the six months ended 30 November 2022 (six months ended 30 November 2021: 24%) on the estimated assessable profits for each of the assessable period.

Hong Kong Profits Tax is calculated at a rate of 16.5% for the six months ended 30 November 2022 (six months ended 30 November 2021: 16.5%) of the estimated assessable profits for the period, except for a subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25%, and the remaining assessable profits are taxed at 16.5%. Such basis had been applied for the calculation of the provision for Hong Kong Profits Tax for this subsidiary for the period ended 30 November 2022.

Hong Kong Profits Tax has not been provided for the period end 30 November 2021 as there is no assessable profits for the period ended 30 November 2021.

## 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	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings (loss) for the purpose of calculating basic earnings (loss) per share: profit (loss) for the period attributable to the owners of the Company				
- From continuing operations	0.06	0.29	0.26	(0.91)
- From discontinued operation	(0.00)	(0.04)	0.00	(0.00)
	<u>0.06</u>	<u>0.29</u>	<u>0.26</u>	<u>(0.91)</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>123,876,000</u>	<u>103,230,000</u>	<u>119,701,672</u>	<u>100,613,278</u>

No diluted loss per share information has been presented for the six months ended 30 November 2021 and 2022 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 2022 (six months ended 30 November 2021: Nil).

## 10. RECEIVABLES, DEPOSITS AND PREPAYMENT

	<b>30 November 2022 RM'000 (unaudited)</b>	31 May 2022 RM'000 (audited)
Trade receivables	14,431	11,170
Less: Allowance for credit losses	<u>(5,204)</u>	<u>(4,224)</u>
	<u>9,227</u>	<u>6,946</u>
Other receivables	124	104
Deposits	2,229	1,955
Prepayments	<u>287</u>	<u>92</u>
	<u><b>11,867</b></u>	<u><b>9,097</b></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.

	<b>30 November 2022 RM'000 (unaudited)</b>	31 May 2022 RM'000 (audited)
1–30 days	1,774	3,320
31–60 days	1,558	924
61–90 days	1,308	460
91–120 days	1,178	76
More than 120 days	<u>3,409</u>	<u>2,166</u>
	<u><b>9,227</b></u>	<u><b>6,946</b></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 1.25% to 2.13% and ranging from 2.30% to 4.60% per annum as at 31 May 2021 and 30 November 2022 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 2022 respectively.

## 13. PAYABLES AND ACCRUED CHARGES

	<b>30 November 2022 RM'000 (unaudited)</b>	31 May 2022 RM'000 (audited)
Trade payables	3,889	4,483
Accrued charges	2,726	1,605
Other payables	91	354
Advance from customers	391	671
Deposit received	-	6
	<u>7,097</u>	<u>7,119</u>

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

	<b>30 November 2022 RM'000 (unaudited)</b>	31 May 2022 RM'000 (audited)
1-30 days	1,443	1,633
31-60 days	1,109	1,508
61-90 days	856	1,331
91-120 days	312	11
Over 120 days	169	-
	<u>3,889</u>	<u>4,483</u>

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\$0.08 each				
<b>Authorised:</b>				
At 31 May 2022 and 30 November 2022		1,250,000	100,000	
<b>Issued and fully paid:</b>				
At 31 May 2022		103,230	8,258	4,501
Issue of subscription shares by newly allotted ordinary shares ( <i>note a</i> )		20,646	1,652	937
At 30 November 2022		123,876	9,910	5,438

### Notes:

- (a) On 14 June 2022 (after the trading hours), the Company entered into the placing agreement with the placing agent, pursuant to which the Company has conditionally agreed to place, through the placing agent, on a best efforts basis, up to 20,646,000 placing shares to not less than six independent placees at the placing price of HK\$0.151 per placing share. The placing has been completed on 8 July 2022. The Company allotted and issued placing shares comprising 20,646,000 ordinary shares at par value of HK0.08 each. The gross proceeds were HK\$3,117,546 (equivalent to approximately RM1,768,000) based on the placing price of which a sum of HK\$1,651,680 (equivalent to approximately RM937,000) has credited to share capital and the balance of HK\$1,465,866 (equivalent to approximately RM831,000) 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 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

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

The Group has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad (“**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 2022, the revenue of the Group significant increased by approximately 81.39%, the increase is mainly due to the increase in the revenue of the manufacturing and trading of precast concrete junctions boxes business as a result of the recovery of the economy in current period whereas Malaysia Government enforced the third movement control order (the “**MCO 3.0**”) and caused our customers’ projects were suspended and delayed in last year same period as well as the commencement of sale of health supplement business in May 2022.

### FINANCIAL REVIEW

#### Revenue

The revenue increased from approximately RM9.0 million for the six months ended 30 November 2021 to approximately RM16.4 million for the six months ended 30 November 2022, representing a increase of approximately 81.39%. Such increase was mainly due to the increase of the manufacturing and trading of precast concrete junction boxes business as a result of recovery of the economy as well as the commencement of sale of health supplement business in May 2022.

For the manufacturing and trading of precast concrete junction boxes business, the revenue increased by approximately 61.64%, from approximately RM7.6 million for the period ended 30 November 2021 to approximately RM12.4 million for the period ended 30 November 2022.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue decreased by approximately 44.58%, from approximately RM1.3 million for the period ended 30 November 2021 to approximately RM0.7 million for the period ended 30 November 2022. The decrease was mainly caused by the decrease in sales of scrap iron.

The sales of health supplements has commenced in May 2022 and has contributed approximately RM3.2 million for the period ended 30 November 2022.

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 RM7.8 million for the six months ended 30 November 2021 to approximately RM12.7 million for the six months ended 30 November 2022, increase of approximately 63.53%. Such change was mainly attributable to the significant increase in revenue of manufacturing and trading of precast concrete junction boxes business for the six months ended 30 November 2022.

The Gross Profit increased from approximately RM1.3 million for the six months ended 30 November 2021 to approximately RM3.6 million for the six months ended 30 November 2022.

### **Administrative expenses**

Administrative expenses of the Group increased by approximately RM1.0 million or 58.46% from approximately RM1.8 million for the six months ended 30 November 2021 to approximately RM2.9 million for the six months ended 30 November 2022.

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 increased by approximately 24.83% from approximately RM439,000 for the six months ended 30 November 2021 to approximately RM548,000 for the six months ended 30 November 2022.

The Group's selling and distribution expenses mainly consisted of salaries, welfare and other benefits for sales and marketing staff and travelling and entertainment expenses.

## **Profit (loss) for the period from continuing operations**

The Group recorded a net profit of approximately RM307,000 for the six months ended 30 November 2022 due to the increase in revenue of the Group as a result of recovery of economy.

## **SIGNIFICANT INVESTMENTS HELD**

During the six months ended 30 November 2022, 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 2022. 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 2022, the Group's cash and cash equivalents was approximately RM23.5 million (31 May 2021: approximately RM22.8 million).

As at 30 November 2022, the Group's had no borrowings (31 May 2021: Nil).

As at 30 November 2022, the Group's current ratio was 5.11 (31 May 2021: 4.62), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was nil as at 30 November 2022 (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 2022, the share capital and equity attributable to owners of equity of the Company amounted to approximately RM5.4 million and approximately RM29.7 million respectively (31 May 2021: RM4.5 million and RM28.4 million respectively).

## **CAPITAL COMMITMENTS**

As at 30 November 2022, 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 2022 in accordance with the expected timeline set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

The following table lists out the updated expected timeline of utilization of the net proceeds and the usage up to the period ended 30 November 2022.

	Net proceeds from the Share Offer <i>HK\$ million</i>	Amount utilized from Listing Date to 31 May 2022 <i>HK\$ million</i>	Amount utilized for the period ended 30 November 2022 <i>HK\$ million</i>	Unutilized balance up to 30 November 2022 <i>HK\$ million</i>	Expected timeframe for intended use
Expansion of production capacity through					
(i) expanding our Existing Selangor Plant ( <i>note b</i> )	7.0	(4.9)	(0.1)	2.0	Intends to use up the remaining fund by end of 2023
(ii) completing the establishment of our New Kulaijaya Plant and ( <i>note b</i> )	7.3	(2.2)	(0.1)	5.0	Intends to use up the remaining fund by end of 2023
(iii) recruiting new staffs ( <i>note b</i> )	2.6	(1.4)	(0.1)	1.1	Intends to use up the remaining fund by end of 2023
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 2023
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 2023
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)	–	–	
<b>Total</b>	<b>29.6</b>	<b>(10.1)</b>	<b>(0.3)</b>	<b>19.2</b>	

*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 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 2022
Mr. Loh Swee Keong (Note 2)	Interest in controlled corporation	29,827,500 (L) (Note 1)	24.08%

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 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 30 November 2022, the following persons (other than the Directors or chief executive of the Company) had interests and/or short positions in the shares and underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 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 2022
Merchant World Investments Limited	Beneficial owner	29,827,500 (L) (Note 1)	24.08%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	29,827,500 (L)	24.08%
Greater Elite Holdings Limited	Beneficial owner	13,622,500 (L)	11.00%
Mr. Law Fung Yuen Paul (Note 3)	Interest in controlled corporation	13,622,500 (L)	11.00%
Ms. Cheng Lai Wah Christina (Note 4)	Interest of spouse	13,622,500 (L)	11.00%
Mr. Choy Sheung Ki Gary	Beneficial owner	10,323,000 (L)	8.33%
Mr. Cheng Chek Kay	Beneficial owner	6,729,000 (L)	5.43%

*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 2022, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

As at 30 November 2022, 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 2022 (six months ended 30 November 2021: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 November 2022, we had 62 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
14 June 2022 (completed on 8 July 2022)	Placing of new shares under general mandate granted on 24 November 2021	HK\$2.96 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 2022, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

## SHARE OPTION SCHEME

The purpose of 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 2022, 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 2022 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 2022 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 2022.

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

During the six months ended 30 November 2022, 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 2022 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 2023

*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 Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its posting and on the website of the Company at [www.sktargetgroup.com](http://www.sktargetgroup.com).*