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SK TARGET GROUP LIMITED

瑞強集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8427)

ANNOUNCEMENT OF FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 31 AUGUST 2023

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

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

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

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

The board of Directors (the “**Board**”) of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 31 August 2023 together with the unaudited comparative figures for the corresponding period in 2022 as follows:

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

For the three months ended 31 August 2023

		Three months ended	
		31 August	
		2023	2022
	<i>Notes</i>	RM’000	<i>RM’000</i>
		(unaudited)	(unaudited)
Revenue	3	7,228	9,125
Cost of sales		(5,354)	(7,038)
Gross profit		1,874	2,087
Other income		233	358
Administrative expenses		(1,182)	(1,707)
Selling and distribution expenses		(286)	(273)
Share of results of an associate		47	–
Finance costs	4	(35)	(15)
Profit before taxation		651	450
Taxation	5	(317)	(219)
Profit for the period		334	231
Other comprehensive income items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		28	119
Total comprehensive income for the period		362	350
Earnings per share			
Basic (RM cents)	8	0.25	0.20

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 August 2023

	Share capital <i>RM'000</i>	Share premium <i>RM'000</i>	Other reserve <i>RM'000</i>	Translation reserve <i>RM'000</i>	Retained profits/ (Accumulated loss) <i>RM'000</i>	Total <i>RM'000</i>
At 31 May 2022 (audited)	4,501	27,228	8,579	(355)	(7,039)	32,914
Profit for the period	-	-	-	-	231	231
Exchange differences arising on translation of foreign operations	-	-	-	119	-	119
Total comprehensive income for the period	-	-	-	119	231	350
Issue of placing shares by newly allotted ordinary shares	937	831	-	-	-	1,768
At 31 August 2022 (unaudited)	<u>5,438</u>	<u>28,059</u>	<u>8,579</u>	<u>(236)</u>	<u>(6,808)</u>	<u>35,032</u>
At 31 May 2023 (audited)	5,438	28,059	8,579	50	(6,951)	35,175
Profit for the period	-	-	-	-	334	334
Exchange differences arising on translation of foreign operations	-	-	-	28	-	28
Total comprehensive income for the period	-	-	-	28	334	362
Issue of subscription shares by newly allotted ordinary shares	590	15	-	-	-	605
At 31 August 2023 (unaudited)	<u>6,028</u>	<u>28,074</u>	<u>8,579</u>	<u>78</u>	<u>(6,617)</u>	<u>36,142</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 August 2023

1. GENERAL INFORMATION

SK Target Group Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability on 28 October 2016 and its ordinary shares are listed on the GEM of The Stock Exchange of Hong Kong Limited since 19 July 2017. The addresses of the registered office and principal place of business are Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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

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

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

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2023 have been prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure requirements of the GEM Listing Rules.

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

The basis of preparation and accounting policies applied in the preparation of the unaudited condensed consolidated financial statements are consistent with those adopted in the annual report for the year ended 31 May 2023, except for the new and revised IFRSs, which are effective for the financial year beginning on or after 1 June 2023. The condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee of the Company.

Application of new and revised IFRSs

During the period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 June 2023. The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's unaudited condensed consolidated financial statements and amounts reported for the current and prior accounting periods.

The Group has not early applied new and revised IFRSs that have been issued but are not yet effective for the financial period beginning 1 June 2023. The Directors anticipate that the new and revised IFRSs will be adopted in the Group's unaudited condensed consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised IFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE

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

	Three months ended	
	31 August	
	2023	2022
	RM'000	RM'000
	(unaudited)	(unaudited)
Manufacturing and trading: Sales of manufactured goods	6,865	6,636
Other building materials and services: Sales of building materials	363	378
Sourcing services	-	11
Sales of health supplement products	-	2,100
	<u>7,228</u>	<u>9,125</u>

4. FINANCE COSTS

	Three months ended	
	31 August	
	2023	2022
	RM'000	RM'000
	(unaudited)	(unaudited)
Interest expense on:		
Commitment fees	2	3
Leased liabilities interest	8	12
Promissory note	25	-
	<u>35</u>	<u>15</u>

5. TAXATION

	Three months ended	
	31 August	
	2023	2022
	RM'000	RM'000
	(unaudited)	(unaudited)
Malaysia corporate income tax:		
Current period	317	150
Hong Kong Profits Tax:		
Current period	–	69
Deferred tax	–	–
	<u>317</u>	<u>219</u>

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

Hong Kong Profits Tax is calculated at a rate of 16.5% (2022:16.5%) 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 31 August 2023.

Hong Kong Profits Tax has not been provided for the period end 31 August 2023 as there is no assessable profits for the period ended 31 August 2023.

6. PROFIT FOR THE PERIOD

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

	Three months ended	
	31 August	
	2023	2022
	RM'000	RM'000
	(unaudited)	(unaudited)
Auditor remuneration	109	121
Cost of inventories recognised as an expense	3,836	5,481
Staff costs, excluding directors' remuneration:		
– Salaries, wages and other benefits	878	972
– Contribution to EPF	64	57
	942	1,029
Lease payments not included in the measurement of lease liabilities:		
Crane	3	1
Office equipment	2	1
Depreciation on:		
Property, plant and equipment	164	176
Investment property	1	1
Right-of-use assets	142	154
Unrealised loss on foreign exchange	73	180
Interest income	(223)	(137)
	<u> </u>	<u> </u>

7. DIVIDEND

The Board does not recommend the payment of dividend for the three months ended 31 August 2023 (2022: Nil).

8. EARNINGS PER SHARE

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

	Three months ended	
	31 August	
	2023	2022
	<i>RM'000</i>	<i>RM'000</i>
	(unaudited)	(unaudited)
Earnings for the purpose of calculating basic earnings per share:		
Profit for the period attributable to the owners of the Company	334	231
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	134,537,459	115,572,717

No diluted earnings per share information has been presented for the periods ended 31 August 2022 and 31 August 2023 as the Company has no potential ordinary shares outstanding during both periods ended.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

The Group has been a registered supplier or approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia (“**Telekom**”) since 2008 and registered supplier of Tenaga 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 the telecommunication companies and TNB.

For the period ended 31 August 2023, the revenue of the Group decreased by approximately 20.79%, the decrease is mainly due to the decrease in the revenue of the sale of health supplement products business as a result of the change in direction of business strategy and management has dedicated more resources on developing manufacturing and trading of precast concrete junction boxes business following the recovery from COVID-19.

The Board always strives to improve Group’s business operations and financial position by proactively seeking potential investment opportunities that would diversify the Group’s existing portfolio and broaden its source of income, and enhance value to the shareholders.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RM9.1 million for the three months ended 31 August 2022 to approximately RM7.2 million for the three months ended 31 August 2023, representing a decrease of approximately 20.79%. Such decrease was mainly due to the decrease in the revenue of the sale of health supplement products business as a result of the change in direction of business strategy and management has dedicated more resources on developing manufacturing and trading of precast concrete junction boxes business following the recovery from COVID-19.

For the manufacturing and trading of precast concrete junctions boxes business, the revenue slightly increased by approximately 3.45%, from approximately RM6.6 million for the period ended 31 August 2022 to approximately RM6.9 million for the period ended 31 August 2023.

For the trading of accessories and pipes and the provision of mobile crane rental and ancillary services business, the revenue slightly decreased by approximately 3.97%, from approximately RM378,000 for the period ended 31 August 2022 to approximately RM363,000 for the period ended 31 August 2023. The decrease was mainly caused by intensive price competition which leads to low profit margin.

The sales of health supplements business and the sourcing services of materials business are temporary suspended due to change in direction of business strategy.

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 crane hiring costs. The cost of sales decrease from approximately RM7.0 million for the three months ended 31 August 2022 to approximately RM5.4 million for the three months ended 31 August 2023, representing a decrease of approximately 23.93%. Such change was mainly due to the decrease in revenue of the sale of health supplement products business due to change in direction of business strategy.

The gross profit decreased from approximately RM2.1 million for the three months ended 31 August 2022 to approximately a gross profit of RM1.9 million for the three months ended 31 August 2023.

Administrative expenses

Administrative expenses of the Group decreased by approximately RM0.5 million or 30.72% from approximately RM1.7 million for the three months ended 31 August 2022 to approximately RM1.2 million for the three months ended 31 August 2023 due to better control in expenses.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees.

Selling and distribution expenses

Selling and distribution expenses of the Group increased by approximately RM13,000 or 4.76% from approximately RM273,000 for the three months ended 31 August 2022 to approximately RM286,000 for the three months ended 31 August 2023.

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 for the period

The Group recorded a net profit of approximately RM334,000 for the three months ended 31 August 2023 mainly due to the management is focusing on precast junction boxes with higher profit margin and better control in expense.

SIGNIFICANT INVESTMENTS HELD

During the three months ended 31 August 2023, the Company did not have any significant investments held.

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

There were no material acquisitions and disposals of subsidiaries and affiliated companies during the three months ended 31 August 2023. There is no specific future plan for material investments or capital assets as at the date of this announcement.

USE OF PROCEEDS FROM THE SHARE OFFER

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

The net proceeds from the Listing have not been fully utilized up to the period ended 31 August 2023 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 31 August 2023.

	Net proceeds from the Share Offer	Amount utilized from Listing Date to 31 May 2023	Amount utilized for the period ended 31 August 2023	Unutilized balance up to 31 August 2023	Expected timeframe for intended use
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Expansion of production capacity through					
(i) expanding our Existing Selangor Plant (<i>note b</i>)	7.0	(5.6)	(0.4)	1.0	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	(2.3)	(0.1)	4.9	Intends to use up the remaining fund by end of 2023
(iii) recruiting new staffs (<i>note b</i>)	2.6	(1.9)	(0.2)	0.5	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)	-	-	
Total	<u>29.6</u>	<u>(11.4)</u>	<u>(0.7)</u>	<u>17.5</u>	

Notes:

- (a) The unused Listing proceeds have been deposited in licensed banks in Malaysia and Hong Kong.
- (b) The funds have been used to purchase and upgrade some machineries and equipments. The funds also have been utilized on recruiting and salaries of staffs for the expansion and renovation works.
- (c) The Group is identifying acquisition target, if materialised, the Group will inform the shareholders as and when appropriate.
- (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 recovery of economy, the management of the Group is considering to expand the Group's production capacity and actively looking for suitable target. 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 31 August 2023, 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:

Name of Director/ Chief Executive	Capacity/Nature of Interest	Number of issued ordinary shares held/ interested	Approximate percentage of issued share capital of the Company
Mr. Loh Swee Keong (<i>Note 2</i>)	Interest in controlled corporation	29,827,500 (L) (<i>Note 1</i>)	21.89%

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 31 August 2023, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provision of the SFO), or (ii) as required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (iii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 August 2023, 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 of Director/ Chief Executive	Capacity/ Nature of Interest	Number of shares held/ interested	Approximate percentage of share holding
Merchant World Investments Limited	Beneficial owner	29,827,500 (L) (Note 1)	21.89%
Ms. Woon Sow Sum (Note 2)	Interest of spouse	29,827,500 (L)	21.89%
Greater Elite Holdings Limited (Note 3)	Beneficial owner	23,510,100 (L)	17.25%
Mr. Law Fung Yuen Paul (Note 3)	Interest in controlled corporation	23,510,100 (L)	17.25%
Ms. Cheng Lai Wah Christina (Note 4)	Interest of spouse	23,510,100 (L)	17.25%
Mr. Choy Sheung Ki Gary	Beneficial owner	10,323,000 (L)	8.33%

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 31 August 2023, the Company has not been notified by any person (other than the Directors or the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Division 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

CHARGE ON GROUP'S ASSETS

As at 31 August 2023, the Group had bank deposits pledged with banks totalling approximately RM1.2 million (31 August 2022: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

FOREIGN CURRENCY RISK

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

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 31 August 2023.

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
7 June 2023 (completed on 16 June 2023)	Subscription of news Shares under general mandate granted on 23 November 2022	HK\$1.02 million	For repayment of promissory note	Not yet utilized

CORPORATE GOVERNANCE PRACTICES

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

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

Save as disclosed above, for the three months ended 31 August 2023, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

SHARE OPTION SCHEME

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

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

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

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

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

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

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

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

During the three months ended 31 August 2023, other than the share option scheme is set out above, the Company did not enter into the other equity-linked agreement, nor did any other equity-linked agreement exist during the period under review.

As at 31 August 2023, no share option was granted, exercised, lapsed or cancelled under the Share Option Scheme of the Company.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTOR'S SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiries of all the Directors and all Directors confirmed that they have complied with the required standards of dealings regarding securities transactions by the Directors during the three months ended 31 August 2023 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the three months ended 31 August 2023.

DIRECTOR'S INTEREST OF COMPETING BUSINESS

During the three months ended 31 August 2023, the Directors confirm that none of the controlling shareholders or Directors and their respective close associates (as defined in the GEM Listing Rules) is interested in any business apart from the business operated by the Group which competes or is likely to compete, directly or indirectly, with the Group's business or any other conflicts of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

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

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months ended 31 August 2023 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 October 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 for at least 7 days from the date of its posting and on the website of the Company at www.sktargetgroup.com.