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 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the "**Directors**") of SK Target Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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 2017 (the "**Interim Financial Statements**") together with the unaudited comparative figures for the corresponding period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and six months ended 30 November 2017

		Three months ended 30 November		**Six months ended 30 November**	
		2017	2016	**2017**	2016
	Note	***RM'000***	*RM'000*	***RM'000***	*RM'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*5*	**8,351**	7,780	**15,849**	16,636
Cost of sales		**(6,808)**	(5,626)	**(12,034)**	(11,648)
Gross profit		**1,543**	2,154	**3,815**	4,988
Other income		**102**	71	**153**	132
Administrative expenses		**(1,667)**	(503)	**(3,068)**	(979)
Selling and distribution expenses		**(244)**	(304)	**(530)**	(621)
Listing expenses		**(842)**	–	**(2,416)**	–
Finance costs	*6*	**(30)**	(18)	**(39)**	(31)
(Loss)/Profit before taxation	*7*	**(1,138)**	1,400	**(2,085)**	3,489
Taxation	*8*	**(267)**	(312)	**(601)**	(837)
(Loss)/Profit and total comprehensive (loss)/income for the period		**(1,405)**	1,088	**(2,686)**	2,652
(Loss)/Earnings per share — Basic (RM cents)	*9*	**(0.23)**	0.34	**(0.47)**	0.84

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 November 2017** *RM'000* **(unaudited)**	31 May 2017 *RM'000* (audited)
Non-Current Assets			
Property, plant and equipment		**3,552**	3,218
Investment property		**396**	401
Deferred Tax Assets		**17**	–
Goodwill		**10**	–
Total Non-Current Assets		**3,975**	3,619
Current Assets			
Inventories		**1,589**	651
Receivables, deposits and prepayment	*11*	**14,753**	15,873
Amount owing from ultimate holding company	*12*	**6**	9
Amount owing from a shareholder	*12*	**3**	7
Tax recoverable		**233**	166
Short-term bank deposits pledged with banks	*13*	**1,080**	1,059
Cash on hand and at bank		**25,893**	7,248
Total Current Assets		**43,557**	25,013
Current Liabilities			
Payables and accrued charges	*14*	**7,710**	8,450
Amount owing to a Director	*12*	**15**	570
Finance leases		**91**	172
Tax payable		**482**	399
		8,298	9,591
Net Current Assets		**35,260**	15,422
Total Assets Less Current Liabilities		**39,235**	19,041
Non-Current Liabilities			
Finance leases		**–**	411
Deferred tax liabilities		**164**	147
		164	558
Net Assets		**39,094**	18,483
Capital and Reserves			
Share capital	*15*	**3,382**	–
Reserves		**35,687**	18,483
		39,069	18,483

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 November 2017

	Share capital *RM'000*	Share premium *RM'000*	Special reserve *RM'000*	Other reserve *RM'000*	Accumulated profits *RM'000*	Total *RM'000*
At 31 May 2016 (audited)	–	–	–	570	11,013	11,583
Profit and total comprehensive income for the year	–	–	–	–	2,652	2,652
Acquisition of the equity interest in subsidiary companies by an intermediate holding company of the Company pursuant to the reorganisation	–	–	–	(570)	–	(570)
At 30 November 2016 (unaudited)	–	–	–	–	13,665	13,665
At 31 May 2017 (audited)	**–**	**–**	**–**	**8,579**	**9,904**	**18,483**
Profit/loss and total comprehensive income/expense for the period	**–**	**–**	**–**	**–**	**(2,686)**	**(2,686)**
Capitalisation issue	**2,400**	**(2,400)**	**–**	**–**	**–**	**–**
Placing and offer of shares	**982**	**26,511**	**–**	**–**	**–**	**27,493**
Transaction costs attributable to issue of shares	**–**	**(4,220)**	**–**	**–**	**–**	**(4,220)**
At 30 November 2017 (unaudited)	**3,382**	**19,891**	**–**	**–**	**7,218**	**39,069**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 November 2017

	Six months ended 30 November	
	2017	2016
	RM'000	*RM'000*
Net Cash (Used In)/From Operating Activities	**(3,640)**	1,188
INVESTING ACTIVITIES		
Interest received	**22**	40
Purchase of property, plant and equipment	**(691)**	(479)
Proceed from disposal of financial assets at fair value through profit or loss	**–**	848
Proceed from disposal of property, plant and equipment	**103**	–
Repayment from a shareholder	**4**	–
Repayment from ultimate holding company	**3**	–
Advance to a Director	**–**	571
Net Cash (Used In)/From Investing Activities	**(559)**	980
FINANCING ACTIVITIES		
Dividend paid	**–**	(1,050)
Finance costs paid	**(37)**	(33)
Repayment of bank borrowings	**–**	(763)
New bank borrowings raised	**–**	697
Repayment of finance leases	**(469)**	(77)
Decrease in short term bank deposits pledged	**–**	301
Proceeds from issuance of shares	**27,493**	–
Transaction costs attributable to issue of shares	**(4,220)**	–
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**22,767**	(925)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**18,568**	1,243
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**7,248**	3,181
Effects of exchange rate changes on the balance of cash held in foreign currency	**77**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR REPRESENTED BY	**25,893**	4,424
Cash on hand and at bank	**25,893**	4,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the GEM of The Stock Exchange since 19 July 2017. The Company was incorporated in the Cayman Islands as a private limited liability company on 28 October 2016. The addresses of the Company's registered office in Cayman Islands and headquarters and principal place of business in Malaysia are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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 owned 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.

2. BASIS OF PREPARATION AND PRESENTATION

The unaudited consolidated financial statements of the Group for the six months ended 30 November 2017 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 2017 (the "**2017 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 2017. The adoption of the new and revised IFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared or presented. Accordingly, no prior period adjustment has been required. The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2017 Annual Financial Statements.

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

3. APPLICATION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted the following new and revised IFRSs, which are effective for the Group's accounting period beginning on or after 1 June 2017.

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs	Annual Improvements 2014–2016 Cycle

The adoption of the new and revised IFRSs in the current period has had no material effect on the Group's financial performance and positions for the current period and prior accounting periods and the disclosures set out in the Interim Financial Statements.

4. ESTIMATES

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2017 Annual Financial Statements.

5. REVENUE AND SEGMENTAL INFORMATION

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

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

(b) Other building materials and services — trading of accessories and pipes and provision of mobile crane rental and ancillary 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 2017 (unaudited)

	Manufacturing and trading *RM'000*	**Other building materials and services** *RM'000*	**Total** *RM'000*
Revenue			
External sales	**11,729**	**4,120**	**15,849**
Inter-segment sales	**3,534**	**736**	**4,270**
Segment revenue	**15,263**	**4,856**	**20,119**
Elimination			**(4,270)**
Group revenue			**15,849**
Segment result	**3,764**	**51**	**3,815**
Administrative expenses			**(3,068)**
Selling and distribution expenses			**(530)**
Listing expenses			**(2,416)**
Finance costs			**(39)**
Other income			**153**
Profit before taxation			**(2,085)**

Six months ended 30 November 2016 (unaudited)

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Revenue			
External sales	14,478	2,158	16,636
Inter-segment sales	4,333	435	4,768
Segment revenue	18,811	2,593	21,404
Elimination			(4,768)
Group revenue			16,636
Segment result	4,672	316	4,988
Administrative expenses			(979)
Selling and distribution expenses			(621)
Finance costs			(31)
Other income			132
Fair value change of financial assets at fair value through profit or loss			–
Profit before taxation			3,489

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

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

6. FINANCE COSTS

	Three months ended 30 November		**Six months ended 30 November**	
	2017	2016	**2017**	2016
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Interest on finance leases	**29**	5	**37**	10
Interest on trust receipt loan	**–**	2	**–**	8
Interest on bank overdraft	**1**	1	**2**	5
Interest on term loan	**–**	10	**–**	8
	30	18	**39**	31

7. (LOSS) PROFIT FOR THE PERIOD

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

	Three months ended 30 November		Six months ended 30 November	
	2017	2016	**2017**	2016
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Auditors' remuneration	**176**	(31)	**91**	(28)
Cost of inventories recognised as an expense	**4,935**	3,883	**8,457**	7,997
Staff costs, excluding Directors' remuneration				
— Salaries, wages and other benefits	**893**	756	**1,850**	1,483
— Contribution to EPF	**73**	65	**156**	127
	966	821	**2,006**	1,610
Minimum lease payments on rented land	**120**	105	**240**	210
Minimum lease payments on rented crane	**19**	13	**45**	33
Depreciation of property, plant and equipment	**120**	99	**243**	196
Depreciation of investment property	**3**	3	**5**	5
Bad debts written off/(recovered)	**–**	–	**–**	13
Loss on disposal of property, plant and equipment	**11**	–	**11**	–
Rental income from investment property	**–**	(5)	**1**	(11)
Interest income	**(18)**	(38)	**(24)**	(42)
Unrealised gain on foreign exchange	**47**	–	**(3)**	–

8. TAXATION

	Three months ended 30 November		Six months ended 30 November	
	2017	2016	**2017**	2016
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Malaysia corporate income tax:				
Current year	**267**	312	**601**	810
Underprovision in prior periods	**–**	–	**–**	27
Deferred tax:				
Current year	**–**	–	**–**	–
Overprovision in prior periods	**–**	–	**–**	–
	267	312	**601**	837

The Malaysia corporate income tax rate is 24%. Malaysia corporate income tax is calculated at the statutory tax rate on the estimated assessable profits.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

	Three months ended 30 November		**Six months ended 30 November**	
	2017	2016	**2017**	2016
	RM'000	*RM'000*	***RM'000***	*RM'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
(Loss)/Earnings for the purpose of basic (loss)/earnings per share for the period attributable to the owners of the Company	**(0.23)**	0.34	**(0.47)**	0.84
	Number of shares	Number of shares	**Number of shares**	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share	**620,000,000**	317,020,000	**572,786,885**	317,020,000

The weighted average number of ordinary shares for the six months ended 30 November 2017 and 2016, had been adjusted retrospectively assuming that the group reorganisation and the issue of shares upon capitalisation of the share premium account have been effective from 1 June 2016 and accordingly the 317,020,000 ordinary shares of the Company which were in issue and outstanding immediately after the group reorganisation and share capitalisation were assumed to have been effective on 1 June 2016.

The calculation of the weighted average number of ordinary shares outstanding for the six months ended 30 November 2017 also include the effect of the share offer of 180,000,000 new ordinary shares on the Listing Date i.e. 19 July 2017.

No diluted (loss)/earnings per share information has been presented for the six months ended 30 November 2017 and 2016 as there were no potential ordinary shares outstanding during both periods.

10. DIVIDEND

The Board does not recommend the payment of a dividend for the six months ended 30 November 2017 (30 November 2016: RM1,050,000).

11. RECEIVABLES, DEPOSITS AND PREPAYMENT

	30 November 2017	31 May 2017
	RM'000	*RM'000*
	(unaudited)	(audited)
Trade receivables	**14,473**	13,301
Less: Allowance for doubtful debts	**(176)**	(176)
	14,297	13,125
Other receivables	**11**	25
Deposits	**417**	278
Prepayments	**28**	92
Deferred listing expenses	**–**	2,353
	14,753	15,873

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 doubtful debts) presented based on the invoice date.

	30 November 2017	31 May 2017
	RM'000	*RM'000*
	(unaudited)	(audited)
1–30 days	**3,135**	3,112
31–60 days	**2,211**	4,108
61–90 days	**1,454**	2,747
91–120 days	**1,813**	961
More than 120 days	**5,684**	2,197
	14,297	13,125

12. AMOUNTS OWING FROM/(TO) A DIRECTOR, ULTIMATE HOLDING COMPANY AND A SHAREHOLDER

The amounts owing from/(to) a Director, Mr. Loh Swee Keong, is non-trade nature, unguaranteed, unsecured, interest-free and repayable on demand. As at 31 May 2017, including in the amount owing to a director of RM570,000 represents the unpaid balance of the acquisition of the subsidiary companies and has fully settled on 17 July 2017.

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.

13. SHORT TERM BANK DEPOSITS PLEDGED WITH BANKS

Short term bank deposits with an original maturity of three months or less carry interest at prevailing market rate of 3.15% and 3.15% per annum as at 31 May 2017 and 30 November 2017 respectively. The short term bank deposits are pledged to secure general banking facilities granted to the Group.

14. PAYABLES AND ACCRUED CHARGES

	30 November 2017	31 May 2017
	RM'000	*RM'000*
	(unaudited)	(audited)
Trade payables	**5,341**	5,178
Other payables	**395**	600
Accrued listing fees	**1,047**	2,053
Accrued charges	**927**	496
Tenant's deposit	**–**	4
Advance from customers	**–**	119
	7,710	8,450

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

	30 November 2017	31 May 2017
	RM'000	*RM'000*
	(unaudited)	(audited)
1–30 days	**1,831**	2,270
31–60 days	**1,900**	1,225
61–90 days	**1,300**	1,341
91–120 days	**81**	207
Over 120 days	**229**	135
	5,341	5,178

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.

Tenant deposits represent the refundable deposits to tenants upon termination or cancellation of operating lease arrangements. The tenant deposits are refundable to tenants within 60 days upon the termination of the tenancy agreement. The tenants' deposits to be settled after twelve months from the end of the reporting periods based on the lease terms amounted to RM4,000 as at 31 May 2017 (30 November 2016: Nil).

15. SHARE CAPITAL

The share capital as at 30 November 2017 represented the issued share capital of the Company. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 11 November 2016. The share capital as at 30 November 2017 represents the share capital of the Company with details as follows:

	Number of shares	**Share capital** *HK$*
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 May 2017	38,000,000	380,000
Increase in authorised share capital *(notes a)*	9,962,000,000	99,620,000
At 30 November 2017	10,000,000,000	100,000,000
Issued and fully paid:		
At 31 May 2017 *(note a)*	10,000	100
— Capitalisation on Issue	439,990,000	4,399,900
— Issue of new shares by way of placement and public offering	180,000,000	1,800,000
At 30 November 2017	620,000,000	6,200,000

Notes:

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 27 June 2017, the authorised share capital was increased from HKD380,000 comprising 38,000,000 shares at par value of HKD0.01 each to HKD100,000,000 comprising 10,000,000,000 shares of par value of HKD0.01 each, by way of creation of an additional 9,962,000,000 shares at par value of HKD0.01 each. On the same date, pursuant to the written resolutions passed by the shareholders of the Company, conditional upon the crediting of the Company's share premium account as a result of the issue of the public offer shares and the placing shares for the proposed initial listing of shares of the Company on the GEM board of The Stock Exchange of Hong Kong Limited, the Directors of the Company were authorised to capitalise an amount of HK$4,399,000 standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 439,990,000 shares for allotment and issue to the shareholders as of 27 June 2017.

(b) On 19 July 2017, the Company has successfully listed on the GEM board of The Stock Exchange of Hong Kong Limited and made an offering of 162,000,000 new shares by way of placement and 18,000,000 new shares by public offering priced at HKD0.28 per share. On the same date, the Company has completed the capitalization issue to the shareholders after the successful listing on the GEM board of The Stock Exchange of Hong Kong Limited.

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

16. NON CASH TRANSACTION

Addition of property, plant and equipment of RM729,000 during the year ended 31 May 2017 and RM692,000 during the period ended 30 November 2017 was financed by new finance lease agreements.

17. ACQUISITION OF A SUBSIDIARY

On 1 September 2017, the Group acquired the entire issued share capital of Target Foundry Sdn Bhd ("**Target Foundry**"), which is a dormant company in Malaysia, for a cash consideration of RM100. This acquisition has been accounted for using the acquisition method. The amount of provisional goodwill arising as a result of the acquisition was RM10,338.

The Directors of the Company consider that the acquisition of Target Foundry is for business acquisition and expansion in near future.

The fair values of the identifiable assets acquired and liabilities assumed of the above acquisition as at the date of acquisition were as follows:

	RM (unaudited)
Cash on hand	100
Amount due to a director	(10,024)
Other payables	(314)
Total identified assets and liabilities at fair values	(10,238)
Goodwill arising on acquisition	10,338
Total consideration	100

Analysis of net cash flow of cash and cash equivalents arising on acquisition:

Cash Consideration paid	100
Less: Cash and cash equivalents acquired	(100)
Net cash outflow arising on acquisition	–

From the date of acquisition to 30 November 2017, Target Foundry has contributed net loss of approximately RM2,136 and no revenue has been contributed to the Group.

Goodwill arose in the acquisition of Target Foundry because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Target Foundry. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

The acquisition constitutes a connected transaction of the Company under Chapter 20 of the GEM Listing Rules. Such acquisition is a fully exempt de minimis transaction as all the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) are not more than 0.1%, hence, the acquisition is not subject to the reporting and announcement requirements and the independent shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

18. LEGAL PROCEEDING

During the current interim period, there was one legal proceeding against the Company, details are as follow:

(A) As disclosed in the Company's voluntary announcement dated 16 October 2017, Target Precast Industries Sdn Bhd and Target Foundry Sdn Bhd, both wholly-owned subsidiaries of the Group ("**Subsidiaries**") were served with a writ of summons and a statement of claim filed by one Lum Tseng Engineering Sdn. Bhd. ("**Lum Tseng**") in the High Court of Malaya in Penang under Suit No. PA-22NCVC-206-10/2017 (the "**Suit 206**").

In Suit 206, Lum Tseng alleged that the Subsidiaries' products had infringed Patent No. MY-137345-A ("**Patent 345**"), a registered patent of precast concrete junction box cover purportedly held by Lum Tseng as a licensee (the "**Impugned Patent**") and Lum Tseng is claiming against the Subsidiaries for:

(i) an injunction restraining the Subsidiaries from infringing the Impugned Patent;

(ii) an order for the Subsidiaries to surrender or destroy all the products which infringed the Impugned Patent;

(iii) general damages;

(iv) exemplary damages of Malaysian Ringgit 1,000,000;

(v) interest of 5% on damages from the filing date of the suit till the date of full payment; and

(vi) costs of the action.

(B) On 12 October 2017, Lum Tseng filed under Suit 206 an application seeking an interim injunction to restrain the Subsidiaries from infringing Patent 345. On 14 October 2017, the Subsidiaries filed an affidavit in reply and Lum Tseng withdrew its application for interim injunction on 6 December 2017.

(C) On 26 October 2017, the Subsidiaries filed an application to strike out Suit 206 on the ground that Lum Tseng is not the registered owner of Patent 345 and Lum Tseng had failed to fulfil the statutory requirement to commence Suit 206 as a licensee of Patent 345. The application has been fixed for hearing on 18 January 2018.

(D) On 26 October 2017, the Subsidiaries also filed a writ of summons and a statement of claim in the High Court of Malaya in Penang under Suit No. WA-22IP-42-10/2017 ("**Suit 42**") against Lum Tseng and Loh Soo Tiak, the registered owners of Patent 345 and directors of Lum Tseng seeking for:

(a) a declaration under Sections 56 and 57 of the Patents Act 1983 that Patent 345 is invalid;

(b) an order that Patent 345 be invalidated and removed from the Register of Patents;

(c) a declaration that Subsidiaries are entitled to use and/or manufacture, market, distribute, offer for sale and/or sell their manhole covers without interference from the Lum Tseng and Loh Soo Tiak and/or their agents and/or nominees;

(d) a permanent injunction to restrain Lum Tseng and Loh Soo Tiak, whether jointly or severally and/or acting by themselves, or through their directors, officers, employees, servants, agents or assignees or otherwise from:

  (i) publishing and/or causing to be published, dissemination, printing and/or assisting in publication in any manner whatsoever defamatory statements that the Subsidiaries had infringed Patent 345 ("**Defamatory Statements**") and/or any similar words defamatory of the Subsidiaries; and

  (ii) Conspiring the injure the Subsidiaries; and

  (iii) Unlawfully interfering with the Subsidiaries' trade and business;

(e) an order to compel Lum Tseng and Loh Soo Tiak, at its own costs cause to be published a letter to the third party:

  (i) a full and complete retraction of the Defamatory Statements above; and

  (ii) an apology in such terms as this Honourable Court deems fit;

(f) general damages;

(g) aggravated and/or exemplary damages;

(h) interests on all such amounts as may be ordered to be paid by Lum Tseng and Loh Soo Tiak to the Subsidiaries;

(i) costs; and

(j) Such further or other relief as the Court deems fit and proper to grant.

(E) Lum Tseng and Loh Soo Tiak are required to file their statement of defence in Suit 42 on or before 15 January 2018.

As at 30 November 2017, the Company's Malaysian legal advisers are of the preliminary view that there is a high likelihood that the Impugned Patent can be invalidated and in such event, pending review of other evidence, the Malaysian legal advisers take the view that the Group has a meritorious defence in the Legal Proceeding. The Group will contest the Legal Proceeding vigorously and formulate solutions to mitigate any possible effects of the suit, including the filing of counterclaim against the Plaintiff and/or resolution by way of mediation. The Company considered that the legal proceeding is unlikely to result in any material outflow of economic benefits from the Group.

19. EVENT AFTER REPORTING PERIOD

There are no significant events which have taken place subsequent to 30 November 2017.

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 also engages in trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia (the "**Other building material and service business**").

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 registered supplier of Tenaga National Bhd. ("**TNB**"), the only electric utility company, in Malaysia since 2012. Hence, the Group's precast concrete junction boxes can be used in infrastructure or construction projects involving the telecommunication companies and TNB.

For the six months ended 30 November 2017, the revenue of the Group decreased by approximately 4.7% due to decrease in the revenue generated from the Manufacturing and trading business. For the Manufacturing and trading business. The drop in sales was mainly due to the decrease in sales volume ordered by a few major telecommunication companies such as Maxis and Celcom due to budget restriction on their capital expenditure expansion plans. These telecommunication companies are expected to resume their expansion plan on capital expenditure commencing year 2018.

For the Other building material and service business, the slight increase in revenue was mainly attributable to the increase in sales of scrap iron.

Looking forward, the Directors consider that the future opportunities and challenges facing by the Group will largely depend on the construction works for utilities infrastructure and new development area construction. The Directors are of the view that the continued government interest and investment to expand power distribution, telecommunication, civil infrastructures coupled with the development of new commercial, industrial, and residential areas remains the key drivers and opportunities for the precast concrete telecommunication junction box and electrical junction box manufacturing industry in Malaysia. On the other hand, the Company's wholly-owned subsidiary, namely Target Precast Industries Sdn Bhd entered into a legally-binding Letter of Award with Telekom in respect of the supply and delivery of concrete junction boxes and junction box covers for a term of three years from 1 January 2017 to 31 December 2019. The formal agreement in this respect had been signed and returned to the Group as 1 August 2017 (the "**Formal Agreement**"). The Directors expect that the growth of the Group will be sustained by the Formal Agreement because it is the first agreement entered directly between the Group and Telekom without the involvement of contractors or subcontractors, therefore it allows the Group to capture a higher profit margin in the sales of its precast concrete junction boxes.

The management of the Group is looking for business and investment opportunities that generate long term returns to the shareholders.

FINANCIAL REVIEW

Revenue

The revenue decreased from approximately RM16.6 million for the six months ended 30 November 2016 to approximately RM15.8 million for the six months ended 30 November 2017, representing a decrease of approximately 4.7%. Such decrease was mainly due to the decrease in the revenue generated from the manufacturing and trading of precast junction boxes.

The Group's revenue generated from the Manufacturing and trading business decreased by approximately 19.0%, from approximately RM14.5 million for the six months ended 30 November 2016 to approximately RM11.7 million for the six months ended 30 November 2017. The decrease was mainly caused by the decrease in sales volume ordered by a few major telecommunication companies such as Maxis and Celcom due to budget restriction on their capital expenditure expansion plans. These telecommunication companies are expected to resume their expansion plan on capital expenditure commencing year 2018.

For the Other building material and service business, revenue increased by approximately 90.1% from approximately RM2.2 million for the six months ended 30 November 2016 to approximately RM4.1 million for the six months ended 30 November 2017, which was mainly attributable to the increase in sales of scrap iron.

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 increased from approximately RM11.6 million for the six months ended 30 November 2016 to approximately RM12.0 million for the six months ended 30 November 2017, representing an increase of approximately 33%. Such change was mainly attributable to the increase in material usage and sales of other building materials for the six months ended 30 November 2017.

The Gross Profit decreased from approximately RM5.0 million for the six months ended 30 November 2016 to approximately RM3.8 million for the six months ended 30 November 2017.

Administrative expenses

Administrative expenses of the Group increased by approximately RM2.1 million or 213.4% from approximately RM1.0 million for the six months ended 30 November 2016 to approximately RM3.1 million for the six months ended 30 November 2017.

The Group's administrative expenses mainly consisted of salaries, welfare and other benefits, rent and rates, general office expenses, depreciation and professional service fees. The increase was mainly attributable to the increase in staff costs paid to Directors and staff due to business expansion and audit fee and other professional costs in relation to the compliance with the GEM Listing Rules during the period.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased slightly by approximately RM91,000 million or 14.7% from approximately RM621,000 for the six months ended 30 November 2016 to approximately RM530,000 million for the six months ended 30 November 2017.

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 slight decrease of selling and distribution expenses was mainly due to the decrease in incentive bonus and commission associated with the decrease in sales.

Loss for the period

The Group recorded a net loss of approximately RM2.7 million for the six months ended 30 November 2017 due to the net effect of (i) a non-recurring listing expenses of approximately RM2.4 million for its Listing exercise during the six months ended 30 November 2017; (ii) the increase in the administrative expenses incurred by the Group for the six months ended 30 November 2017; and (iii) the decrease in revenue of the Group six months ended 30 November 2017.

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

Save for the reorganization in relation to the listing of the shares of the Company, there were no significant investment held, nor other material acquisitions and disposals of subsidiaries and affiliated companies during the six months ended 30 November 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 November 2017, the Group's cash and cash equivalents was approximately RM27.0 million (31 May 2017: approximately RM8.3 million).

As at 30 November 2017, the Group's total borrowings were approximately RM91,000 (31 May 2017: approximately RM583,000).

As at 30 November 2017, the Group's current ratio was 5.25 (31 May 2017: 2.6), which is calculated based on the total current assets divided by the total current liabilities. The gearing ratio was approximately 0.2% as at 30 November 2017 (31 May 2017: 3.2%), which is calculated based on the total interest-bearing loans divided by the total equity.

As at 30 November 2017 and 31 May 2017, the Group had no bank borrowings. The gearing ratio, calculated based on the total borrowings divided by total equity at the end of the period and multiplied by 100%, decreased from approximately 3.2% as at 31 May 2017 to approximately 0.2% as at 30 November 2017 due to repayment of all bank borrowings in full. 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

The shares of the Company were successfully listed on the GEM Board of the Stock Exchange on 19 July 2017. There has been no change in the capital structure of the Group since then. The share capital of the Group only comprises of ordinary shares.

As at 30 November 2017, the share capital and equity attributable to owners of the Company amounted to approximately RM3.4 million and approximately RM39.1 million respectively (31 May 2017: RM57 and RM18.5 million respectively).

CAPITAL COMMITMENTS

As at 30 November 2017, the Group had capital commitments in respect of the acquisition of property, plant and equipment totalling RM305,000 (31 May 2017: RM117,000).

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

As at 30 November 2017, 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	Percentage of the Company's issued share capital as at 31 August 2017
Mr. Loh Swee Keong *(Note 2)*	Interest in controlled corporation	317,020,000 (L) *(Note 1)*	51.13%

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 2017, 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 2017, 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 and SFO were as follows:

Ordinary Shares of the Company

Name	Capacity/Nature of Interest	Number of Shares	Percentage of the Company's issued share capital as at 31 August 2017
Merchant World Investments Limited	Beneficial owner	317,020,000 (L) *(Note 1)*	51.13%
Ms. Woon Sow Sum *(Note 2)*	Interest of spouse	317,020,000 (L)	51.13%
Greater Elite Holdings Limited	Beneficial owner	122,980,000 (L)	19.84%
Mr. Law Fung Yuen Paul *(Note 3)*	Interest in controlled corporation	122,980,000 (L)	19.84%
Ms. Cheng Lai Wah Christina *(Note 4)*	Interest of spouse	122,980,000 (L)	19.84%

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 2017, 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

The Group did not have any charge on its assets as at 30 November 2017 (30 November 2016: Nil).

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.

LEGAL PROCEEDINGS

During the current interim period, there was one legal proceeding against the Company, details are as follow:

(A) As disclosed in the Company's voluntary announcement dated 16 October 2017, Target Precast Industries Sdn Bhd and Target Foundry Sdn Bhd, both wholly-owned subsidiaries of the Group ("**Subsidiaries**") were served with a writ of summons and a statement of claim filed by one Lum Tseng Engineering Sdn. Bhd. ("**Lum Tseng**") in the High Court of Malaya in Penang under Suit No. PA-22NCVC-206-10/2017 (the "**Suit 206**").

In Suit 206, Lum Tseng alleged that the Subsidiaries' products had infringed Patent No. MY-137345-A ("**Patent 345**"), a registered patent of precast concrete junction box cover purportedly held by Lum Tseng as a licensee (the "**Impugned Patent**") and Lum Tseng is claiming against the Subsidiaries for:

(i) an injunction restraining the Subsidiaries from infringing the Impugned Patent;

(ii) an order for the Subsidiaries to surrender or destroy all the products which infringed the Impugned Patent;

(iii) general damages;

(iv) exemplary damages of Malaysian Ringgit 1,000,000;

(v) interest of 5% on damages from the filing date of the suit till the date of full payment; and

(vi) costs of the action.

(B) On 12 October 2017, Lum Tseng filed under Suit 206 an application seeking an interim injunction to restrain the Subsidiaries from infringing Patent 345. On 14 October 2017, the Subsidiaries filed an affidavit in reply and Lum Tseng withdrew its application for interim injunction on 6 December 2017.

(C) On 26 October 2017, the Subsidiaries filed an application to strike out Suit 206 on the ground that Lum Tseng is not the registered owner of Patent 345 and Lum Tseng had failed to fulfil the statutory requirement to commence Suit 206 as a licensee of Patent 345. The application has been fixed for hearing on 18 January 2018.

(D) On 26 October 2017, the Subsidiaries also filed a writ of summons and a statement of claim in the High Court of Malaya in Penang under Suit No. WA-22IP-42-10/2017 ("**Suit 42**") against Lum Tseng and Loh Soo Tiak, the registered owners of Patent 345 and directors of Lum Tseng seeking for:

   (a) a declaration under Sections 56 and 57 of the Patents Act 1983 that Patent 345 is invalid;

   (b) an order that Patent 345 be invalidated and removed from the Register of Patents;

   (c) a declaration that Subsidiaries are entitled to use and/or manufacture, market, distribute, offer for sale and/or sell their manhole covers without interference from the Lum Tseng and Loh Soo Tiak and/or their agents and/or nominees;

   (d) a permanent injunction to restrain Lum Tseng and Loh Soo Tiak, whether jointly or severally and/or acting by themselves, or through their directors, officers, employees, servants, agents or assignees or otherwise from:

      (i) publishing and/or causing to be published, dissemination, printing and/or assisting in publication in any manner whatsoever defamatory statements that the Subsidiaries had infringed Patent 345 ("**Defamatory Statements**") and/or any similar words defamatory of the Subsidiaries; and

      (ii) Conspiring the injure the Subsidiaries; and

      (iii) Unlawfully interfering with the Subsidiaries' trade and business;

   (e) an order to compel Lum Tseng and Loh Soo Tiak, at its own costs cause to be published a letter to the third party:

      (i) a full and complete retraction of the Defamatory Statements above; and

      (ii) an apology in such terms as this Honourable Court deems fit;

(f) general damages;

(g) aggravated and/or exemplary damages;

(h) interests on all such amounts as may be ordered to be paid by Lum Tseng and Loh Soo Tiak to the Subsidiaries;

(i) costs; and

(j) Such further or other relief as the Court deems fit and proper to grant.

(E) Lum Tseng and Loh Soo Tiak are required to file their statement of defence in Suit 42 on or before 15 January 2018.

As at 30 November 2017, the Company's Malaysian legal advisers are of the preliminary view that there is a high likelihood that the Impugned Patent can be invalidated and in such event, pending review of other evidence, the Malaysian legal advisers take the view that the Group has a meritorious defence in the Legal Proceeding. The Group will contest the Legal Proceeding vigorously and formulate solutions to mitigate any possible effects of the suit, including the filing of counterclaim against the Plaintiff and/or resolution by way of mediation. The Company considered that the legal proceeding is unlikely to result in any material outflow of economic benefits from the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 November 2017 (six months ended 30 November 2016: RM1,050,000).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 November 2017, we had 61 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 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 non-recurrent 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. As at 30 November 2017, the Group recorded trade receivables amounting to approximately RM13.1 million, the number of trade receivables turnover days was approximately 143 days which exceeded the credit period stipulated on the Group's service agreements with its customers with average trade payable turnover days of approximately 79 days. The Group is exposed to credit risk and liquidity risk.

USE OF PROCEEDS FROM THE SHARE OFFER

The shares of the Company were listed on 19 July 2017 on the GEM by Share Offer. The Offer Price was HK$0.28 per Offer Share. The net proceeds received by the Company from the Share Offer, after deducting underwriting fees and other expenses, were approximately HK$29.6 million.

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

	Net proceeds from the share offer *HK$ million*	Amount utilised up to 30 November 2017 *HK$ million*	Unutilised balance up to 30 November 2017 *HK$ million*
Expansion of production capacity through			
(i) expanding our Selangor Plant	7.0	1.0	6.0
(ii) completing the establishment of our new Kulaijaya Plant and	7.3	0.6	6.7
(iii) recruiting new staff	2.6	0.1	2.5
Acquisition of a parcel of land in Southern Malaysia	8.4	–	8.4
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions	2.7	–	2.7
Expansion of our sales and marketing team	0.8	–	0.8
General working capital	0.8	0.8	–
Total	29.6	2.5	27.1

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 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 2017, in the opinion of the Directors, the Group has complied with the code provision of the CG Code.

SHARE OPTION SCHEME

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

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

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

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

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

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

An offer for the grant of options 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Other than as disclosed under the sections "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, 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).

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 November 2017 and up to the date of the announcement, the Group has compiled with the relevant laws and regulations that have a significant impact on the operations of the Group.

DIRECTORS' 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 2017 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 2017.

DIRECTOR'S INTEREST OF COMPETING BUSINESS

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.

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 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. Lee, Alexander Patrick. The chairman of the Audit Committee is Mr. Chu Kin Ming.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the six months 30 November 2017 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

INTEREST OF THE COMPLIANCE ADVISER

As notified by RHB Capital Hong Kong Limited ("**RHB Capital**"), compliance adviser of the Company, except for (i) RHB Capital's participation as the sole sponsor in relation to the Listing; and (ii) the compliance adviser agreement entered into between the Company and RHB Capital dated 27 June 2017, neither RHB Capital nor any of its close associates (as defined in the GEM Listing Rules) and none of the directors or employees of RHB Capital had any interest in the share capital of our Company or any member of our Group (including options or rights to subscribe for such securities, if any) which is required to be notified to our Company pursuant to Rule 6A.32 of the GEM Listing Rules as of 30 November 2017.

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

Hong Kong, 8 January 2018

As at the date of this announcement, the Executive Directors are Mr. Loh Swee Keong and Mr. Tan Cheng Siong; the Independent Non-executive Directors are Mr. Yau Ka Hei, Mr. Chu Kin Ming and Mr. Lee, Alexander Patrick.

*This announcement will remain on the "**Latest Company Announcements**" page of the GEM website at **www.hkgem.com** for at least 7 days from the date of its posting and on the website of the Company at **www.targetprecast.com**.*