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 ANNUAL RESULTS FOR THE YEAR ENDED 31 MAY 2018

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

*This announcement, for which the directors (the "**Directors**") of SK Target Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 May 2018 together with the comparative audited figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 May 2018

	Note	**2018** *RM'000*	2017 *RM'000*
Revenue	*3*	**38,194**	33,595
Cost of sales		**(29,433)**	(23,172)
Gross profit		**8,761**	10,423
Other income		**356**	948
Administrative expenses		**(7,469)**	(3,342)
Selling and distribution expenses		**(1,195)**	(1,331)
Listing expenses		**(2,336)**	(6,048)
Finance costs	*4*	**(26)**	(57)
Fair value change of financial assets at fair value through profit or loss		**—**	13
(Loss)/Profit before taxation		**(1,909)**	606
Taxation	*5*	**(1,181)**	(1,715)
Loss for the year		**(3,090)**	(1,109)
Other comprehensive loss items that will not be reclassified to profit or loss:			
Exchange differences arising on translation from functional currency to presentation currency		**(974)**	—
Total comprehensive loss for the year		**(4,064)**	(1,109)
Loss per share:			
Basic *(RM cent)*	*6*	**(0.58)**	(0.29)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 May 2018

	Note	**2018** **RM'000**	2017 RM'000
Non-Current Assets			
Property, plant and equipment		**4,380**	3,218
Investment property		**391**	401
Deferred tax assets		**32**	—
Total Non-Current Assets		**4,803**	3,619
Current Assets			
Inventories	*8*	**1,350**	651
Receivables, deposits and prepayment	*9*	**19,897**	15,873
Amount owing from ultimate holding company		**9**	9
Amount owing from a shareholder		**3**	7
Tax recoverable		**369**	166
Short-term bank deposits pledged with banks	*10*	**401**	1,059
Cash on hand and at bank		**21,075**	7,248
Total Current Assets		**43,104**	25,013
Current Liabilities			
Payables and accrued charges	*11*	**9,937**	8,450
Amount owing to a Director		**12**	570
Finance leases	*12*	**—**	172
Tax payable		**43**	399
Total Current Liabilities		**9,992**	9,591
Net Current Assets		**33,112**	15,422
Total Assets Less Current Liabilities		**37,915**	19,041

	Note	**2018** *RM'000*	2017 *RM'000*
Non-Current Liabilities			
Finance leases	*12*	**—**	411
Deferred tax liabilities		**223**	147
Total Non-Current Liabilities		**223**	558
Net Assets		**37,692**	18,483
Capital and Reserves			
Share capital	*13*	**3,382**	—
Share premium		**19,891**	—
Other reserve		**8,579**	8,579
Translation reserve		**(974)**	—
Retained profits		**6,814**	9,904
Total Equity		**37,692**	18,483

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 May 2018

	Share capital *RM'000*	**Share premium** *RM'000*	**Other reserve** *RM'000*	**Retained profits** *RM'000*	**Total** *RM'000*
At 31 May 2016	—	—	570	11,013	11,583
Loss and total comprehensive loss for the year	—	—	—	(1,109)	(1,109)
Acquisition of the equity interest in subsidiary companies by an intermediate holding company of the Company pursuant to the reorganisation	—	—	(570)	—	(570)
Capital injection and issuance of shares	—	—	8,579	—	8,579
At 31 May 2017	—	—	8,579	9,904	18,483

	Share capital *RM'000*	**Share premium** *RM'000*	**Other reserve** *RM'000*	**Translation reserve** *RM'000*	**Retained profits** *RM'000*	**Total** *RM'000*
At 1 June 2017	**—**	**—**	**8,579**	**—**	**9,904**	**18,483**
Loss for the year	**—**	**—**	**—**	**—**	**(3,090)**	**(3,090)**
Exchange differences arising on translation from functional currency to presentation currency	**—**	**—**	**—**	**(974)**	**—**	**(974)**
Total comprehensive loss for the year	**—**	**—**	**—**	**(974)**	**(3,090)**	**(4,064)**
Issuance of new shares through:						
Capitalisation *(Note 13(d))*	**2,400**	**(2,400)**	**—**	**—**	**—**	**—**
Placement of and public offering *(Note 13(d))*	**982**	**26,511**	**—**	**—**	**—**	**27,493**
Transaction costs attributable to issue of new shares	**—**	**(4,220)**	**—**	**—**	**—**	**(4,220)**
At 31 May 2018	**3,382**	**19,891**	**8,579**	**(974)**	**6,814**	**37,692**

NOTES TO THE 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 of Hong Kong Limited 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 registered office and principal place of business are P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands and 18, Jalan LP 2A/2, Taman Lestari Perdana, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia, respectively.

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

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

The 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.

Group reorganisation and basis of preparation of the consolidated financial statements

In 2017, in preparation for the proposed initial listing of the shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited, the Group underwent a reorganisation (the "**Reorganisation**") as described below.

The Reorganisation involved the setting up of the Company, Gallant Empire Ltd ("**Gallant Empire**"), SK Target Holdings Sdn. Bhd. ("**SK Target Holdings**") and Loyal Earn Ltd ("**Loyal Earn**"), and interspersing the Company, Gallant Empire, SK Target Holdings and Loyal Earn between Target Precast Industries Sdn. Bhd. ("**Target Precast**"), Target Sales & Marketing Sdn. Bhd. ("**Target S&M**"), and Target Crane & Logistic Sdn. Bhd. ("**Target C&L**") and Mr. Loh Swee Keong, the director and sole beneficial owner of these group of entities. The Company, Gallant Empire, SK Target Holdings, Loyal Earn, Target Precast, Target S&M, and Target C&L were under common control by Mr. Loh Swee Keong throughout the year ended 31 May 2017 or since their respective dates of incorporation, where there is a shorter period. The Company is the holding company after the Reorganisation and forming part of the Group. The Group comprising the Company and its subsidiary companies resulted from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the group structure upon completion of the Reorganisation had been in existence throughout the year or since their date of incorporation, where there is a shorter period. The consolidated statements of financial position of the Group as of 31 May 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the group structure upon completion of the Reorganisation had been in existence at those dates taking into account the respective date of incorporation, where applicable.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current financial year, the Group adopted all the new and revised IFRSs and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") that are effective for annual financial periods beginning on or after 1 June 2017 as follows:

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

The adoption of these new and revised IFRSs and amendments to IFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group, other than the following:

Amendments to IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group's liabilities arising from financing activities consist of finance lease in Note 12. A reconciliation between the opening and closing balances of this item is provided. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Standards in Issue but Not Yet Effective

At the date of authorisation for issue of these financial statements, the new and revised IFRSs and amendments to IFRSs which were in issue but not yet effective and not early adopted by the Group are as listed below:

IFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)[1]
IFRS 15	Revenue from Contract with Customers[1]
Clarifications to IFRS 15	Revenue from Contract with Customers[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[2]
Amendments to IAS 40	Transfers of Investment Property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRS 16	Leases[3]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[6]
Amendments to IAS 19	Plan Amendments, Curtailment or Settlement[3]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[3]
IFRIC 23	Uncertainty over Income Tax Treatments[3]
IFRS 17	Insurance Contracts[5]

Annual Improvements to IFRSs 2014 – 2016 Cycle[2]
Annual Improvements to IFRSs 2015 – 2017 Cycle[3]
Amendments to References to the Conceptual Framework in IFRS Standards[4]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted. Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2021.
6 Effective date deferred to a date to be determined and announced by MASB.

The Directors of the Company anticipate that the application of the new and revised IFRSs will have no material impact on the financial performance and the financial position of the Group other than the following:

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9:

(a) All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at 'fair value through other comprehensive income' (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

(b) With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39 Financial Instruments: Recognition and Measurement, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

(c) In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

(d) The new general hedge accounting requirements retain the three types of hedge accounting mechanism currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of nonfinancial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the adoption of IFRS 9 in the future may have impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group completes a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2017, the IASB issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company do not anticipate that the adoption of IFRS 15 in the future to have a material impact on the amounts reported and disclosure made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group completes a detailed review.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows.

Under the IFRS 16 lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows. Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement where the Group is lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

The directors of the Company anticipate that the adoption of IFRS 16 in the future may have impact on the amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group completes a detailed review.

3. REVENUE AND SEGMENTAL INFORMATION

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

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

(b) Other building materials and services – trading of accessories and pipes and provision of mobile crane rental and ancillary services; and

(c) Japanese catering services – provision of Japanese catering services.

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Segment revenues and results

For the year ended 31 May 2018

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Japanese catering services *RM'000*	Total *RM'000*
Revenue				
External sales	**25,375**	**12,577**	**242**	**38,194**
Inter-segment sales	**7,167**	**3,313**	**—**	**10,480**
Segment revenue	**32,542**	**15,890**	**242**	**48,674**
Elimination				**(10,480)**
Group revenue				**38,194**
Segment result	**7,982**	**632**	**147**	**8,761**
Administrative expenses				**(7,469)**
Selling and distribution expenses				**(1,195)**
Listing expenses				**(2,336)**
Finance costs				**(26)**
Other income				**356**
Loss before taxation				**(1,909)**

For the year ended 31 May 2017

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Revenue			
External sales	28,604	4,991	33,595
Inter-segment sales	8,479	1,240	9,719
Segment revenue	37,083	6,231	43,314
Elimination			(9,719)
Group revenue			33,595
Segment result	10,263	160	10,423
Administrative expenses			(3,342)
Selling and distribution expenses			(1,331)
Listing expenses			(6,048)
Finance costs			(57)
Other income			948
Fair value change of financial assets at fair value through profit or loss			13
Profit before taxation			606

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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

As at 31 May 2018

	Manufacturing and trading	**Other building materials and services**	**Japanese catering services**	**Segment assets (liabilities)**	**Unallocated**	**Consolidated assets (liabilities)**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Non-current assets	**3,757**	**405**	**356**	**4,518**	**285**	**4,803**
Current assets	**19,109**	**9,091**	**595**	**28,795**	**14,309**	**43,104**
Non-current liabilities	**—**	**—**	**—**	**—**	**(223)**	**(223)**
Current liabilities	**(7,886)**	**(1,294)**	**(197)**	**(9,377)**	**(615)**	**(9,992)**

As at 31 May 2017

	Manufacturing and trading	Other building materials and services	Segment assets (liabilities)	Unallocated	Consolidated assets (liabilities)
	RM'000	*RM'000*	*RM'000*	*RM'000*	*RM'000*
Non-current assets	3,203	416	3,619	—	3,619
Current assets	14,013	6,849	20,862	4,151	25,013
Non-current liabilities	(411)	—	(411)	(147)	(558)
Current liabilities	(6,031)	(621)	(6,652)	(2,939)	(9,591)

All assets and liabilities are allocated to operating segments other than certain cash on hand and at bank, deferred listing expenses, other payables, current and deferred tax assets and liabilities.

Other segment information

For the year ended 31 May 2018

	Manufacturing and trading *RM'000*	**Other building materials and services** *RM'000*	**Japanese catering services** *RM'000*	**Unallocated** *RM'000*	**Total** *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:					
Additions to non-current assets	**1,172**	**—**	**359**	**280**	**1,811**
Factory rental	**480**	**—**	**—**	**—**	**480**
Shop rental	**—**	**—**	**56**	**—**	**56**

For the year ended 31 May 2017

	Manufacturing and trading *RM'000*	Other building materials and services *RM'000*	Total *RM'000*
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets	1,483	—	1,483
Factory rental	440	—	440

Geographical information

The Group earns revenue from external customers in two main geographical areas:

(i) Malaysia − manufacturing and trading; and other building material and services

(ii) China − Hong Kong − Japanese catering services

Information about the Group's revenue from external customers is presented based on the location of the operations, as follows:

	2018 *RM'000*	2017 *RM'000*
Malaysia	**37,952**	33,595
China − Hong Kong	**242**	—
	38,194	33,595

The following is an analysis of the carrying amount of segment assets, capital addition in respect of property, plant and equipment by the geographical areas in which the assets are located:

	Total assets		Capital addition property, plant and equipment	
	2018	2017	**2018**	2017
	RM'000	*RM'000*	***RM'000***	*RM'000*
Malaysia	**32,377**	24,481	**1,172**	1,483
China – Hong Kong	**951**	—	**359**	—
Unallocated	**14,579**	4,151	**280**	—
	47,907	28,632	**1,811**	1,483

Information about major customers

No customer contributes over 10% of total sales of the Group for each of the reporting periods.

4. FINANCE COSTS

	2018	2017
	RM'000	*RM'000*
Interest expense on:		
Finance leases	**21**	27
Trust receipt loan	**—**	12
Bank overdraft	**—**	10
Term loan	**—**	8
Commitment fees	**5**	—
	26	57

5. TAXATION

	2018	2017
	RM'000	*RM'000*
Malaysia corporate income tax:		
Current year	**1,095**	1,647
Underprovision in prior years	**42**	27
Deferred tax:		
Current year	**41**	57
Under/(Over) provision in prior years	**3**	(16)
	44	41
	1,181	1,715

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

The taxation for the year can be reconciled to the (loss)/profit before taxation as follows:

	2018	2017
	RM'000	*RM'000*
(Loss)/Profit before taxation	**(1,909)**	606
Statutory tax rate	**24%**	24%
Taxation at applicable statutory tax rate	**(458)**	145
Tax saving of 6% *(Note)*	**(60)**	(60)
Tax effects of:		
Expenses not deductible for tax purpose	**1,567**	1,585
Income not taxable for tax purpose	**(2)**	(3)
Effect of different tax rate of entities operating in other jurisdictions	**83**	35
Deferred tax assets not recognised	**6**	2
Underprovision of income tax payable in prior years	**42**	27
Under/(Over)provision of deferred tax in prior years	**3**	(16)
Taxation for the year	**1,181**	1,715

Note: Under the Income Tax Act, 1967 of Malaysia, small and medium enterprises in Malaysia with paid-up capital amounting to RM2,500,000 or less are subject to income tax at the rate of 18% for the year ended 31 May 2017 and 31 May 2018, on chargeable income amounting to RM500,000 or less. For chargeable income in excess of RM500,000, the corporate income tax rate is 24% for the year ended 31 May 2017 and 31 May 2018 respectively.

6. LOSS PER SHARE

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

	2018	2017
	RM'000	*RM'000*
Loss for the purpose of basic loss per share:		
Loss for the year attributable to the owners of the Company	**(3,090)**	(1,109)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**536,768,465**	384,743,233

In 2017, the weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganisation and the capitalisation on issue of share to the consolidated financial statements has been effective on 1 June 2015.

No diluted loss per share information has been presented for the year ended 31 May 2017 and 31 May 2018 as there were no potential ordinary shares outstanding during both years.

7. DIVIDENDS

The Directors of the Company do not recommend the payment of dividend for the year ended 31 May 2017 and 31 May 2018.

8. INVENTORIES

	2018	2017
	RM'000	*RM'000*
At cost:		
Raw materials and consumables	**636**	236
Finished goods	**714**	415
	1,350	651

9. RECEIVABLES, DEPOSITS AND PREPAYMENT

	2018	2017
	RM'000	*RM'000*
Trade receivables	**18,724**	13,301
Less: Allowance for doubtful debts	**(373)**	(176)
	18,351	13,125
Other receivables	**550**	25
Deposits	**595**	278
Prepayments	**324**	92
Advance to suppliers	**77**	—
Deferred listing expenses	**—**	2,353
	19,897	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.

	2018	2017
	RM'000	*RM'000*
1–30 days	**5,787**	3,112
31–60 days	**4,298**	4,108
61–90 days	**3,309**	2,747
91–120 days	**1,812**	961
More than 120 days	**3,145**	2,197
	18,351	13,125

As of 31 May 2017 and 31 May 2018, trade receivables of RM3,409,000 and RM10,013,000 respectively, were past due but not impaired. These relate to a number of diversified customers for whom there was no recent history of default and have a good track record with the Group. Based on past experience, the Directors of the Company are of the opinion that no allowance for impairment is necessary in respect of these balances as these balances were either subsequently settled or there has not been a significant change in credit quality and the balances are still considered recoverable.

The following is an ageing of trade receivables which are past due but not impaired based on invoice date.

	2018	2017
	RM'000	*RM'000*
31–60 days	**3,526**	1,204
61–90 days	**2,467**	685
91–120 days	**1,202**	272
More than 120 days	**2,818**	1,248
	10,013	3,409

The movement in allowance for doubtful debts:

	2018	2017
	RM'000	*RM'000*
At beginning of year	**176**	176
Impairment losses made during the year	**200**	—
Impairment losses no longer required	**(3)**	—
At end of year	**373**	176

Included in the allowance for doubtful debts are four and fourteen individually impaired trade receivable with balance of approximately RM176,000 and RM373,000 as at 31 May 2017 and 31 May 2018 respectively, which has been placed in severe financial difficulties. The Group does not hold any collateral over this balance.

10. 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 ranging from 2.95% to 3.20% per annum as at 31 May 2017 and 31 May 2018 respectively. The short-term bank deposits are pledged to secure general banking facilities granted to the Group.

11. PAYABLES AND ACCRUED CHARGES

	2018	2017
	RM'000	*RM'000*
Trade payables	**8,143**	5,178
Accrued charges	**993**	496
Other payables	**712**	600
Advance from customers	**78**	119
Customers' deposits	**11**	—
Accrued listing fees	**—**	2,053
Tenants' deposit	**—**	4
	9,937	8,450

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

	2018	2017
	RM'000	*RM'000*
1–30 days	**1,932**	2,270
31–60 days	**3,141**	1,225
61–90 days	**2,360**	1,341
91–120 days	**462**	207
Over 120 days	**248**	135
	8,143	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.

Tenants' deposit in 2017 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. This tenants' deposits amounted to RM4,000 as at 31 May 2017 has been refunded during the financial year ended 31 May 2018.

12. FINANCE LEASES

	2018	2017
	RM'000	*RM'000*
Analysed for reporting purposes as:		
Current liabilities	—	172
Non-current liabilities	—	411
	—	583

It is the Group's policy to lease certain of its motor vehicles, plant and machinery. The Directors determined the leases to be finance leases as the ownership of the relevant assets will be transferred to the Group upon the payment of the last instalment of the individual agreement. The average lease term was 5 years as at 31 May 2017. Interest rates underlying all obligations under finance leases were fixed at respective contract dates ranging from 4.70% to 7.10% per annum for the year ended 31 May 2017.

	2018	2017
	RM'000	*RM'000*
Total outstanding:		
Not later than one year	—	201
Later than one year and not later than five years	—	440
	—	641
Less: Finance charges	—	(58)
Principal outstanding	—	583
Less: Amount due for settlement within 12 months (Shown under current liabilities)	—	(172)
Amount due for settlement after 12 months	—	411

Finance leases were denominated in RM. Certain finance leases were guaranteed by Mr. Loh Swee Keong, a Director and Ms. Loh Lily, the sibling of Mr. Loh Swee Keong. The guarantee has been released upon the full repayment made during the financial year ended 31 May 2018.

13. SHARE CAPITAL

The share capital as at 31 May 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.

	Number of shares	Share capital	
	'000	*HK$'000*	*RM'000*
Ordinary shares of HK$0.01 each			
Authorised:			
At date of incorporation/31 May 2017 *(note a)*	38,000	380	
Increase of authorised share capital *(note c)*	9,962,000	99,620	
At 31 May 2018	10,000,000	100,000	
Issued and fully paid:			
At date of incorporation *(note a)*	—	—	—
Issue of shares on Reorganisation *(note b)*	10	—	—
At 31 May 2017/1 June 2017	10	—	—
Issue of share by capitalisation *(note d)*	439,990	4,400	2,400
Issue of new shares by way of placement and public offering *(note d)*	180,000	1,800	982
At 31 May 2018	620,000	6,200	3,382

Notes:

(a) On 28 October 2016, the Company was incorporated and registered as an exempted company in the Cayman Islands with an authorised share capital of HK$380,000 comprising 38,000,000 ordinary shares of HK$0.01 each and paid up share capital of HK$0.01 comprising 1 ordinary share of HK$0.01 each.

(b) On 11 November 2016, Merchant World and Greater Elite transferred 1,000 and 388 ordinary shares of Gallant Empire to the Company respectively, and in consideration thereof, the Company allotted and issued as fully paid an additional 7,204 ordinary shares to Merchant World and 2,795 ordinary shares to Greater Elite. After the said transfers, Gallant Empire became a wholly-owned subsidiary company of the Company.

(c) 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.

(d) 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 of The Stock Exchange of Hong Kong Limited, the Directors of the Company were authorised to capitalise an amount of HKD4,399,000 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 ("**Capitalisation**").

On 19 July 2017, the Company has successfully listed on the GEM 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 ("**Placement of public offering**"). On the same date, the Company has completed the Capitalisation issue to the shareholders after the successful listing on the GEM of The Stock Exchange of Hong Kong Limited.

This has resulted in the issued and paid-up share capital increased from HKD100 comprising 10,000 shares at par value of HKD0.01 each to HD6,200,000 (equivalent to approximately RM3,382,000) comprising 620,000,000 shares at par value of HKD0.01 each.

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

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

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 our brand of "Target" in Malaysia. 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 the approved supplier of various notable telecommunication companies such as Celcom Axiata Berhad and Telekom Malaysia ("**Telekom**") since 2008 and the registered supplier of Tenaga National Bhd. ("**TNB**"), the sole electric utility company, in Malaysia since 2012. Hence, the Group's precast concrete junction boxes are used in infrastructure or construction projects involving telecommunication companies and TNB.

For the year ended 31 May 2018, the revenue of the Group increased slightly by approximately 14% mainly due to an increase in the revenue generated from trading of accessories and pipes and the provision of mobile crane rental and ancillary services. On the other hand, the demand for the Group's precast concrete junction boxes dropped slightly compared to the previous year. This was mainly due to the fact that the delay and the decreased in sales orders from several customers in the first half of the financial year. Orders were gradually picking up in the second half of the year and consequently the decrease has been narrowed.

During the year ended 31 May 2018, the overall market condition of the precast concrete junction box industry (i.e. the industry in relation to the manufacturing of both precast concrete telecommunication junction box and precast concrete electrical junction box) in Malaysia was relatively stable. However, following a change in the Malaysian Government in May 2018, there are/will be changes in policies to fulfil the election mandates of Mr. Mahathir Mohamad, the Prime Minister. The potential changes in policies may create more uncertainty to the growth of the economy of Malaysia in the foreseeable future. Moreover, other factors which include labour shortage and dependency on foreign workers, and the rising production and transportation costs may exert pressure on the Group's business operations. Nevertheless, the Group remains cautiously optimistic about the overall business prospects.

FINANCIAL REVIEW

Revenue

The revenue increased from approximately RM33.6 million for the year ended 31 May 2017 to approximately RM38.2 million for the year ended 31 May 2018, representing a growth of approximately 14%. Such increase was mainly due to the increase in the revenue generated from the trading of accessories and pipes and provision of mobile crane rental and ancillary services and the new Japanese catering services business in Hong Kong since May 2018.

The Group's revenue generated from the trading of accessories and pipes and the provision of mobile crane rental and ancillary services increased by approximately 152%, from approximately RM5.0 million for the year ended 31 May 2017 to approximately RM12.6 million for the year ended 31 May 2018. The increase was mainly caused by the increase in sales of scrap irons and pipes.

The Group is exploring opportunities in the diversification of business risk with a view to maximise returns to the Group and the shareholders of the Company as a whole in the long run. The Group has expanded into the Japanese catering services in Hong Kong in May 2018. It generated approximately RM0.2 million income to the Group.

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 RM23.2 million for the year ended 31 May 2017 to approximately RM29.4 million for the year ended 31 May 2018, representing an increase of approximately 27%. Such change was mainly attributable the increase in material cost and sales of other building materials during the year ended 31 May 2018.

The total cost of sales from the manufacturing and sale of precast concrete junction boxes decreased from approximately RM18.3 million for the year ended 31 May 2017 to approximately RM17.4 million for the year ended 31 May 2018.

The Gross Profit decreased from approximately RM10.4 million for the year ended 31 May 2017 to approximately RM8.7 million for the year ended 31 May 2018.

Administrative expenses

Administrative expenses of the Group increased by approximately RM4.2 million or 127% from approximately RM3.3 million for the year ended 31 May 2017 to approximately RM7.5 million for the year ended 31 May 2018.

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 year.

Selling and distribution expenses

Selling and distribution expenses of the Group decreased by approximately RM0.1 million or 10% from approximately RM1.3 million for the year ended 31 May 2017 to approximately RM1.2 million for the year ended 31 May 2018.

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 of the manufacturing and trading business.

Loss for the year

The Group recorded a net loss of approximately RM3.1 million for the year ended 31 May 2018 due to the net effect of (i) the recognition of a non-recurring Listing expenses of approximately RM2.3 million for its Listing exercise during the year ended 31 May 2018; (ii) the increase in the administrative expenses incurred by the Group for the year ended 31 May 2018; (iii) the slight increase in the cost of sales of the Group for the year ended 31 May 2018 and (iv) the slight increase in revenue of the Group for the year ended 31 May 2018.

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 31 May 2018, the Group recorded trade receivables amounting to approximately RM18.3 million, the number of trade receivables turnover days was approximately 175 days which exceeded the credit period stipulated on the Group's service agreements with its customers with average trade payable turnover days of approximately 112 days. The Group is exposed to credit risk and liquidity risk.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 May 2018, the Group's cash and cash equivalents was approximately RM21.5 million (31 May 2017: approximately RM8.3 million).

As at 31 May 2018, the Group has no borrowings (31 May 2017: approximately RM0.6 million).

As at 31 May 2018, the Group current ratio was 4.31 (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 Nil as at 31 May 2018 (31 May 2017: 3.2%), which is calculated based on the total interest-bearing loans divided by the total equity.

As at 31 May 2017 and 31 May 2018, the Group had no bank borrowings. 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 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 31 May 2018, the share capital and equity attributable to owners of the Company amounted to approximately RM3.4 million and approximately RM34.3 million respectively (31 May 2017: RM57 million and RM18.5 million respectively).

CAPITAL COMMITMENTS

As at 31 May 2018, the Group had capital commitments in respect of the acquisition of property, plant and equipment is Nil (31 May 2017: RM117,000).

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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

CHARGE OVER ASSETS OF THE GROUP

As at 31 May 2018, the Group had bank deposits pledged with banks totalling approximately (RM0.4 million) million (31 May 2017: approximately RM1.1 million). These deposits were pledged to secure general banking facilities granted to the Group.

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

Save for the reorganisation 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 year ended 31 May 2018. There is no specific future plan for material investments or capital assets as at the date of the report.

CONTINGENT LIABILITIES

As at 31 May 2017 and 31 May 2018, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 May 2018, we had 79 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.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as disclosed in the Prospectus with the Group's actual business progresses for the period from the Listing Date to 31 May 2018 is set out as below:

Business Objectives	**Progress**
Expansion on production capacity	The funds have been used to purchase a few cranes and junction box moulds. The Group also recruited 12 new staffs for the expansion
Expansion on marketing and sales team	The funds have been used to recruit a new General Sales Manager

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.

The net proceeds from the Listing have not been utilised up to the date of report in accordance with the proposed applications set out in the section "Net Proceeds from The Share Offer" of the announcement "Offer Price and Allotment Results". The table below lists out the proposed applications of the net proceeds and usage up to the date of report.

	Net proceeds from the share offer	Amount utilised up to 31 May 2018	Unutilised balance up to 31 May 2018
	HK$ million	*HK$ million*	*HK$ million* *(Note a)*
Expansion of production capacity through			
(i) expanding our Existing Selangor Plant	7.0	(1.0)	6.0 *(Note b & d)*
(ii) completing the establishment of our New Kulaijaya Plant and	7.3	(1.1)	6.2 *(Note c & d)*
(iii) recruiting new staff	2.6	0.3	2.3 *(Note e)*
Acquisition of a parcel of land in Southern Malaysia	8.4	—	8.4 *(Note f)*
Expansion of our business vertically in the supply chain of the precast concrete junction box industry through mergers and acquisitions	2.7	—	2.7 *(Note g)*
Expansion of our sales and marketing team	0.8	0.2	0.6 *(Note h)*
General working capital	0.8	(0.8)	—
Total	29.6	3.4	26.2

Notes:

(a) The unused listing proceeds have been deposited in licensed banks in Malaysia and Hong Kong.

(b) The listing proceeds of approximately HK$6.0 million have not been utilised as at 31 May 2018. The Group intends use up the remaining fund for expanding our Existing Selangor Plant by 30 November 2019.

(c) The listing proceeds of approximately HK$6.2 million have not been utilised as at 31 May 2018. The Group will use up the remaining fund for completing the establishment of the New Kulaijaya Plant by 30 November 2019.

(d) In view of the dropping in revenue in the manufacturing and trading of precast concrete junction boxes segment, the management of the Group have a reservation view over the current timetable to expand the Group's production capacity. The Group will closely monitor both the internal and the external factors and will decide on the expansion of production capacity in due course.

(e) The listing proceeds of approximately HK$2.3 million have not been utilised as at 31 May 2018. The Group intends to use up the remaining fund by 30 November 2019.

(f) The listing proceeds of approximately HK$8.4 million have not been utilised as at 31 May 2018. The Group intends to use up the remaining fund by 30 November 2019.

(g) The listing proceeds of approximately HK$2.7 million have not been utilised as at 31 May 2018. The Group intends to use up the remaining fund by 30 November 2018. As at 31 May 2018, the Directors had not identified any acquisition target.

(h) The listing proceeds of approximately HK$0.6 million have not been utilised as at 31 May 2018. The Group intends to use up the remaining fund by 30 November 2018.

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.

OTHER INFORMATION

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 year ended 31 May 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by the Directors (the "**Model Code**") on terms no less exacting than the required standard of dealings concerning securities transactions by the Directors as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiries by the Group, all Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date and up to 31 March 2018.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENT AND CONTRACTS

No transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year and at any time during the Year.

DIRECTORS' INTEREST COMPETING BUSINESS

As at 31 May 2018, none of the Directors, nor the substantial shareholders of the Company and any their respective close associates has any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

DEED OF NON-COMPETITION

The controlling shareholders, namely Mr. Loh Swee Keong and the company through which he holds equity interests in the Company, namely Merchant World Investments Limited, have entered into a Deed of Non-Competition with the Company on 27 June 2017. The details of the Deed of Non-Competition have been disclosed in the Prospectus.

The controlling shareholders have confirmed with the Company that they had complied with the non-competition undertakings during the year ended 31 May 2018. The Directors (including the Independent Non-executive Directors) have reviewed and confirmed the compliance with the non-competition undertaking by the controlling shareholders.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, there is sufficient public float or not less than 25% of the Shares are in the hands of the public as required under the GEM Listing Rules.

CORPORATE GOVERNANCE FUNCTIONS

The Group has not established a corporate governance committee and thus the Board is responsible for performing the corporate governance duties set out in CG Code D.3.1 such as reviewing and determining the policies and practices on corporate governance of the Group, developing the Group's policies, practices on corporate governance, training and continuous professional development of the Directors and senior management, the Group's policies and practices on compliance with legal and regulatory requirements.

The Board has adopted and save as disclosed in the following paragraph complied with the Corporate Governance Code (the "**CG Code**") as set out in Appendix 15 to the GEM Listing Rules. Upon the Listing date and up to 31 March 2018 (the "**Reporting Period**"), the Board is of the opinion that the Company has complied with all the code provisions of the CG code. The Directors will continue to review and monitor its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements from time to time, and to meet the rising expectation of shareholders and other stakeholders of the Group.

The Board held meetings from time to time whenever necessary. To enable all the Directors to participate in the meetings, the Company ensures that all Directors are properly briefed on issues arising at the Board meetings and receive adequate, complete and reliable information in a timely manner. Notice of regular Board meetings is given to all Directors and they can include matters for discussion in the agenda as they think fit. Draft minutes of Board meeting shall be circulated to all Directors for comments prior to confirmation of the minutes. The signed minutes are kept by the Company Secretary. Every Board member has full access to the advice and services of the Company Secretary with a view to ensuring that Board procedures, and all applicable rules and regulations are followed. They are also entitled to have full access to Board documents and related materials so that they are able to make an informed decision.

Pursuant to article 108(a) of the articles of association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Accordingly, Mr. Yau Ka Hei and Mr. Chu Kin Ming shall retire at the AGM and being eligible, offer themselves for re-election.

Independent Non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election in accordance with the Articles. Each Independent Non-executive Directors is required to inform the Group as soon as practicable if there is any change that may affect his independence. The Company has received from each of the Independent Non-executive Directors an annual confirmation of his independency pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers these Independent Non-executive Directors to be independent.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

CG Code provision A.2.1 stipulates that the roles of chairman of the Board and chief executive should be separate and should not be performed by the same individual. 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 circumstance.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, the Group has compiled with the relevant laws and regulations that have a significant impact on the operations of the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company recognised its responsibility to protect the environment from its business activities. The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meet the required standards and ethics in respect of environmental protection.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that our employees, customers and suppliers are key stakeholders to the Group's success. The Group strive to achieve corporate sustainability through engaging employees, providing quality products and services to our customers, collaborating with suppliers to deliver quality sustainable products and services and supporting our community.

SUBSEQUENT EVENTS

There are no significant event after the reporting period.

RESULTS AND DIVIDENDS

The result of the Group for the year ended 31 May 2018 and the state of the affairs of the Group as at that date are set out in the Consolidated Statement of Profit and Loss and Other Comprehensive Income on page 2.

The Board does not recommend the payment of final dividend for the year ended 31 May 2018 (2017: Nil).

There is no arrangement that a shareholder of the Company has waived or agreed to waive any dividend.

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 31 May 2018.

AUDIT COMMITTEE

The Group established the Audit Committee on 27 June 2017 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 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.

During the period from the Listing Date to the date of this announcement, four meetings have been being held for the Audit Committee and all the members of the Committee attended the meetings. The audited consolidated financial statements of the Group for the year ended 31 May 2018 have been reviewed by the Audit Committee.

By order of the Board
SK Target Group Limited
Loh Swee Keong
Chairman and Executive Director

Hong Kong, 24 August 2018

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. 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.