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SK TARGET GROUP LIMITED
瑞強集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8427)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 32% EQUITY INTEREST IN
THE TARGET COMPANY

THE ACQUISITION

On 17 January 2023 (after trading hours), the Purchaser entered into the Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares at the Consideration. The Consideration will be satisfied by way of issue of the Promissory Note by the Purchaser on the Completion Date.

GEM LISTING RULES IMPLICATIONS

As all of the applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement set out in the GEM Listing Rules.

INTRODUCTION

On 17 January 2023 (after trading hours), the Purchaser entered into the Agreement with the Vendor, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the Sale Shares at the Consideration. The Consideration will be satisfied by way of issue of the Promissory Note by the Purchaser on the Completion Date. The principal terms of the Agreement are set out below.

Assets to be acquired

The Sale Shares represent the 32% of the issued and paid-up share capital of the Target Company. The information on the Target Group is set out in the section headed “Information on the Target Company” of this announcement.

Consideration

The Consideration is HK\$5,500,000 and shall be satisfied by way of issue of the Promissory Note by the Purchaser on the Completion Date.

The Consideration was determined by the parties after arm’s length negotiations with reference to the valuation of the business of the Target Company as of 30 November 2022 according to the valuation conducted by independent valuers.

Promissory Note

Pursuant to the Agreement, the Purchaser shall issue to the Vendor the Promissory Note on the following principal terms:

- Principal amount : HK\$5,500,000
- Maturity date : the day falling on the expiry of two (2) years the date of issue of the Promissory Note
- Interest rate : 3% per annum
- Status of the Promissory Note : the Promissory Note shall cease to have effect upon the Maturity Date. The promissory note may not be assigned or transferred without prior written consent of the Purchaser.

Completion of the Acquisition

Subject to the terms and conditions of the Agreement, Completion shall take place after ten Business Days after the signing of the Agreement or such other date as mutually agreed by the Purchaser and the Vendor.

Immediately after Completion, the Group will be indirectly interested in the 32% of the equity interest of the Target Company which will be accounted for as an investment in associate of the Company.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability which is wholly-owned by the Vendor. The Target Company is principally engaged in trading of building material in the PRC.

Set out below is a summary of the consolidated financial information of the Target Company (excluding its discontinued operations) for the two years ended 31 March 2022:

	For the year ended 31 March 2022 <i>(HK\$'000)</i> <i>(Unaudited)</i> <i>Approximately</i>	For the year ended 31 March 2021 <i>(HK\$'000)</i> <i>(Audited)</i> <i>Approximately</i>
Net profit before tax	2,329	1,047
Net profit after tax	2,329	1,047

The unaudited consolidated total asset value and net asset value of the Target Group as at 31 October 2022 were approximately HK\$17.7 million and approximately HK\$3.87 million respectively.

INFORMATION OF THE GROUP

The Company is an investment holding company and the principal activities of the Group are manufacturing and trading of precast concrete junction boxes, trading of accessories and pipes and provision of mobile crane rental and ancillary services in Malaysia and sourcing service of materials in Hong Kong. In May 2022, the Company expanded into sale of health supplement business in Hong Kong.

The Purchaser is a limited liability company established in the British Virgin Islands, which is directly wholly-owned by the Company and is an investment holding company.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Due to the unpredictability on how the COVID-19 would evolve before, the management of the Group considered that it was no longer commercially attractive to engage in the Japanese catering business in Hong Kong and ceased the business in order to consolidate resources for continuing operations or other business opportunities.

To broaden the Group's income source, the management of the Group has been actively seeking new business opportunities. The Board considers that the Acquisition enables the Group to expand into the PRC market given the Target Company mainly operates its building material trading business in the PRC, which will help the Group to penetrate the PRC market and achieve synergy and higher overall profitability and diversify the revenue source geographically.

Based on the factors as disclosed above, the Directors are of the view that the Consideration and the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As all of the applicable percentage ratios (as defined in the GEM Listing Rules) for the Acquisition exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement set out in the GEM Listing Rules. As the Acquisition is subject to fulfilment of certain conditions precedent set out in the Agreement and therefore may or may not proceed, the Shareholders and investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Shares by the Company
“Agreement”	the sale and purchase agreement dated 17 January 2023 entered into by the Purchaser and the Vendor in relation to the Acquisition
“Board” or “Directors”	the board of directors of the Company
“Business Day(s)”	a day other than a Saturday, Sunday or public holiday (or a day on which a tropical cyclone No.8 or above or a “black” rainstorm warning is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. on weekdays) on which banks are open in Hong Kong to the general public for business

“Company”	SK Target Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the GEM (stock code: 8427)
“Completion”	completion of the Acquisition
“Completion Date”	the date of completion which is within ten Business Days after the signing of the Agreement or such other date as mutually agreed by the Purchaser and the Vendor
“connected person(s)”	as defined under the GEM Listing Rules
“Consideration”	the sum of HK\$5,500,000 to be paid by the Purchaser to the Vendor for the Sale Shares
“Directors”	the directors of the Company
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) (and in case of company(ies) and corporation(s), their ultimate beneficial owner(s)) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective associates

“PRC”	the People’s Republic of China, excluding Taiwan, Hong Kong and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Promissory Note”	the promissory note in the principal amount of HK\$5,500,000 to be issued by the Purchaser to the Vendor upon Completion
“Purchaser”	Gallant Empire Limited, a company incorporated in the British Virgin Islands and a directly wholly-owned by the Company
“Sale Shares”	5,440,000 shares of HK\$1.00 in the share capital of the Target Company, representing 32% of the equity interest of the Target Company
“Share(s)”	ordinary issued share(s) of HK\$0.08 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	China Coal Alliances Trading Company Limited
“Vendor”	Mr. Woo Man Wai David, to the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor is an Independent Third Party.
“%”	per cent

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

Hong Kong, 17 January 2023

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the “Latest Listed Company Information” page of the GEM website at www.hkexnews.com for at least seven days from the day of its posting and on the website of the Company at www.sktargetgroup.com.