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Top Standard Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8510)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2023

The board of directors (the “**Directors**” and the “**Board**”, respectively) of Top Standard Corporation (the “**Company**”) announces the unaudited first quarterly results of the Company and its subsidiaries for the three months ended 31 March 2023.

This announcement, containing the full text of the 2023 first quarterly report of the Company (the “**2023 First Quarterly Report**”), complies with the relevant requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) in relation to the information to accompany the preliminary announcement of first quarterly results. Printed version of the 2023 First Quarterly Report containing the information required by the GEM Listing Rules will be despatched to the shareholders of the Company in due course in the manner as required by the GEM Listing Rules.

By order of the Board

Top Standard Corporation

Chuk Stanley

Chairman and Executive Director

Hong Kong, 15 May 2023

As at the date of this announcement, the executive Directors are Mr. Chuk Stanley and Mr. Ying Kan Man, and the independent non-executive Directors are Mr. Wong Ching Wan, Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke.

This announcement, for which the Directors 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 for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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 Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at www.topstandard.com.hk.



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.

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*This report, for which the directors (the “**Directors**”) of Top Standard Corporation (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 report 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 report misleading.*

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

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

For the three months period ended 31 March 2023

	Notes	For the three months period ended 31 March	
		2023 HK\$'000 Unaudited	2022 HK\$'000 Unaudited
Continuing operations			
Revenue	5	3,691	619
Other income		313	154
Other gains and losses		(13,285)	–
Raw materials and consumables used		(1,274)	(134)
Staff costs		(1,769)	(805)
Depreciation of property and equipment		(310)	–
Depreciation of right-of-use assets		(286)	–
Rental and related expenses		(204)	(194)
Utilities expenses		(81)	(22)
Other expenses		(1,526)	(455)
Finance costs		(153)	(98)
Loss before taxation		(14,884)	(935)
Income tax expense	6	–	–
Loss for the period from continuing operations		(14,884)	(935)
Discontinued operations			
Loss for the period from discontinued operations		–	(1)
Gain on de-consolidation		26,402	–
Profit/(loss) for the period		11,518	(936)
Other comprehensive expense for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange difference arising on translation of a foreign operation		(73)	–*
Other comprehensive expense for the period, net of tax		(73)	–
Total comprehensive income/(expense) for the period		11,445	(936)

		For the three months period ended 31 March	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>		Unaudited	Unaudited
Profit/(loss) for the period attributable to owners of the Company			
	– from continuing operations	(14,703)	(844)
	– from discontinued operations	26,402	(1)
		11,699	(845)
Loss attributable to non-controlling interests			
	– from continuing operations	(181)	(91)
	– from discontinued operations	–	–
		(181)	(91)
Total comprehensive income/(expense) for the period attributable to the owners of the Company			
	– from continuing operations	(14,776)	(844)
	– from discontinued operations	26,402	(1)
		11,626	(845)
Total comprehensive income/(expense) for the period attributable to:			
	– owners of the Company	11,626	(845)
	– non-controlling interests	(181)	(91)
		11,445	(936)
Basic and diluted earnings/(loss) per share (Hong Kong cents)			
	– from continuing and discontinued operations	8 0.85	(0.06)
	– from continuing operations	8 (1.06)	(0.06)

* Less than HK\$1,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months period ended 31 March 2023

	Attributable to owners of the Company					Subtotal HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserves HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2022 (audited)	13,824	98,691	566	2	(119,971)	(6,888)	(96)	(6,984)
Loss for the period	-	-	-	-	(845)	(845)	(91)	(936)
At 31 March 2022 (unaudited)	13,824	98,691	566	2	(120,816)	(7,733)	(187)	(7,920)
At 1 January 2023 (audited)	13,824	98,691	566	32	(127,476)	(14,363)	(1,410)	(15,773)
Profit/(loss) for the period	-	-	-	-	11,699	11,699	(181)	11,518
Exchange difference arising on translation of a foreign operation	-	-	-	(73)	-	(73)	-	(73)
Other comprehensive expense for the period	-	-	-	(73)	-	(73)	-	(73)
Total comprehensive income/ (expense) for the period	-	-	-	(73)	11,699	11,626	(181)	11,445
Release upon de-consolidation of a subsidiary	-	-	-	-	500	500	-	500
At 31 March 2023 (unaudited)	13,824	98,691	566	(41)	(115,277)	(2,237)	(1,591)	(3,828)

* Less than HK\$1,000



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATION FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 of the laws of the Cayman Islands on 11 February 2016. The Company's shares have been listed on the GEM of the Stock Exchange since 13 February 2018.

The address of the registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands, and the principal place of business of the Company is Unit 3C, 3/F., Yue Xiu Industrial Building, 87 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company is an investment holding company.

The Group is principally engaged in restaurant operation and online sales of wines.

The immediate and ultimate holding company is JSS Group Corporation ("**JSS Group**"). JSS Group is a limited liability company incorporated in the British Virgin Islands (the "**BVI**") and wholly-owned by Mr. Chuk Stanley ("**Mr. Stanley Chuk**"), who is an executive director of the Company.

The functional currency of the Company is Hong Kong dollars ("**HK\$**").

2. BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION


The unaudited condensed consolidated financial information of the Group for the three months period ended 31 March 2023 is presented as if the Company had always been the holding company of the Group.

The unaudited condensed consolidated first quarterly results have not been reviewed by the Company's auditor.

3. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months period ended 31 March 2023 (the "**Financial Information**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accounts ("**HKICPA**") and the disclosure requirements of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). Besides, the Financial Information include applicable disclosures required by the GEM Listing Rules. The Financial Information have been prepared under the historical cost convention and are presented in HK\$ and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of the Financial Information requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income and expenses. Actual results may differ from these estimates.




In preparing the Financial Information, the significant judgments made by the Company's management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the Group's audited consolidated financial statements for the year ended 31 December 2022.

The accounting policies and methods of computation used in the preparation of the Financial Information are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 December 2022. The auditor has expressed a disclaimer opinion on the multiple uncertainties relating to going concern.

Going Concern Assumption

In preparing the Financial Information, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and the Company in light of the fact that:

- (i) The Group's current liabilities exceeded its current assets by HK\$8,022,000 as at 31 March 2023 (31 December 2022: HK\$18,542,000), the Group's total liabilities exceeded its total assets by HK\$3,828,000 as of that date (31 December 2022: HK\$15,773,000), and that the Group incurred a loss of HK\$14,884,000 (three months period ended 31 March 2022: HK\$935,000) from continuing operations for the three months period ended 31 March 2023.
- (ii) Since the outbreak of the COVID-19 in January 2020, the Group's operations are significantly affected by the prevention and control policies imposed by the local government. During these three months, the Group's restaurant had recorded continued operating loss and negative cash flows. As such, the Group is unable to settle its staff salaries, rental expenses and other accruals incurred in the course of its daily operations.
- (iii) At as 31 March 2023, the Group has cash and cash equivalents of HK\$251,000 (31 December 2022: HK\$1,179,000) which is insufficient to settle all the current liabilities, which includes lease liabilities, trade and other payables and accruals and other provisions.
- (iv) The Group served a number of claims by various parties as a result of arrears rent and salaries. These claims are legal proceedings and the outcomes might have a significant impact on the continuity of the Group.



In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to mitigate the liquidity pressure and to improve the Group's financial position which include, but are not limited to, the following:

- (a) Management of the Company believes the catering businesses will be recovered upon the COVID-19 is being properly managed. The Group takes active initiative to re-organise its operations by reducing the heavy financial burden on unperforming subsidiaries. During the year ended 31 December 2022 and 2021, the management discontinued the operations of certain subsidiaries, as disclosed in Note 32 to the Group's annual report for the year ended 31 December 2022, to reduce the Group's liabilities and cash outflows.
- (b) During the year ended 31 December 2022, the Company has started up its restaurants business through its subsidiary, Xperience Lifestyle in Singapore.
- (c) Management of the Company is working closely with the Group's lawyers to settle the claims for the benefits of the Group.
- (d) The Group will continue to seek for alternative financing solutions and/or group reorganisation to turnaround the difficulties encountered by the Group.

The directors of the Company, has taken into account the abovementioned plans and measures, consider that the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the date of the Financial Information. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Financial Information for the three months period ended 31 March 2023 on a going concern basis of accounting.

However, the appropriateness of the going concern basis of accounting is dependent on the assumption that (i) the management of the Group will be able to achieve its plans and measures as described above; (ii) the Group is able to obtain continuous external financial support; (iii) the Group will be able to improve its business operations; and (iv) the Group is able to generate sufficient cash flow and implement exercises to control costs. Should the going concern basis of accounting become inappropriate, adjustments might have to be made to reflect the situation that assets may need to be realised at the amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in the Financial Information.

4. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied all new and revised HKFRSs issued by the HKICPA that are mandatory effective during the current period and relevant to its operations. The application of such new and amended standards and interpretations does not have material impact on the Financial Information reported and does not result in substantial change to the Group's accounting policies.

5. REVENUE

Revenue represents the fair value of amounts received and receivable from restaurant operations for services provided and food and beverage served and online sales of wines from external customers for privileged services in the Group's restaurants during the respective periods. The Group's revenue from external customers based on their nature are detailed below:

	For the three months period ended 31 March	
	2023 HK\$'000 Unaudited	2022 HK\$'000 Unaudited
Continuing operation		
Catering service income (including services provided and food and beverage served)	3,597	611
Online sales of wines	94	8
	<hr/>	<hr/>
	3,691	619

6. INCOME TAX EXPENSE

	For the three months period ended 31 March	
	2023 HK\$'000 Unaudited	2022 HK\$'000 Unaudited
Continuing operation		
Hong Kong Profits Tax:		
Current tax	–	–

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for both periods.

7. DIVIDEND

No dividend was paid, proposed or declared for the ordinary shareholders of the Company for the three months period ended 31 March 2023 (for the three months period ended 31 March 2022: Nil).

8. EARNINGS/(LOSS) PER SHARE

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

	For the three months period ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
	Unaudited	Unaudited
Loss for the purpose of calculating basic loss per share:		
Loss for the period attributable to owners of the Company	(14,884)	(845)
Less: Profit/(loss) for the period from discontinued operations	26,402	(1)
Profit/(loss) for the purpose of basic and diluted loss per share from continuing operation	11,518	(844)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	1,382,400	1,382,400

The diluted loss per share for the three months ended 31 March 2022 and diluted profit per share for the three months ended 31 March 2023 were same as the basic loss per share as there were no potential ordinary shares in issue for both periods.

9. EVENTS AFTER THE REPORTING PERIOD

On 4 April 2023, the Group entered into the subscription agreement with Mr. Ta Shun Dher, Mr. Koh Chee Loong, Ms. Siew Y'nglyn and Aori Malaysia Sdn. Bhd., the Group has conditionally agreed to subscribe for and Aori Malaysia Sdn. Bhd. has conditionally agreed to issue and allot 96,080 subscription shares at subscription price of RM1 (equivalent to approximately HK\$1.8) per subscription share and the consideration of the subscription was RM96,080 (equivalent to approximately HK\$172,944). The Group holds approximately 49% of the issued share capital of Aori Malaysia Sdn. Bhd. as enlarged by the issue of the subscription shares. As such, Aori Malaysia Sdn. Bhd. became an associate of the Company.

Save as disclosed in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2023 and up to the date of this report.

10. LITIGATION

During the three months period ended 31 March 2023, the Group has been involved in several claims in relation to arrears rent and salaries, the management and the legal advisors of the Company have taken collective effort to resolve these cases.

Except for the litigations disclosed in the Group's annual report for the year ended 31 December 2022 and in this quarterly report, there are no other material litigations filed against the Group or remain active during the three months period ended 31 March 2023.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current period's prestation.

12. DE-CONSOLIDATION OF A SUBSIDIARY

On 22 March 2023, a winding up order of Leading Win Limited ("Leading Win") was granted by the court and Leading Win is in compulsory winding up process by its provisional liquidators during the three months ended 31 March 2023. All the assets and liabilities of Leading Win has been deconsolidated from the consolidated statement of financial position as at 31 March 2023.

The following table summarises the net liabilities being de-consolidated during three months period ended 31 March 2023 and the financial impacts are summarised as follows:

	As at 31 March 2023 HK\$'000
Analysis of assets and liabilities over which control was lost:	
Deposits	13
Trade and other payables	(9,912)
Amount due to ultimate holding company	(1,976)
Amount due to immediate holding company	(11,038)
Amount due to fellow subsidiary	(2)
Bank borrowings	—*
Provisions	(3,487)
	<hr/>
Net liabilities de-consolidated	(26,402)
	<hr/>
Gain on de-consolidation of a subsidiary:	
Net liabilities de-consolidated	26,402
	<hr/>
Gain on de-consolidation	26,402
	<hr/>

* Less than HK\$1,000



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a restaurant group that operates Japanese restaurants, a bar under the brand name “The Code” and online sales of wines. The Group’s revenue for the three months ended 31 March 2023 was primarily derived from catering income through its restaurants and bar.

For the three months ended 31 March 2023, the Group recorded an increase in revenue to approximately HK\$3.7 million as compared that of approximately HK\$0.6 million for the three months ended 31 March 2022 for continuing operations. Such increase was mainly due to the improved performance of the bar and the revenue of new restaurants “Sushi MEW (HK)” and “Sushi MEW (Singapore)” set up during 2022.

On 13 February 2018 (the “**Listing Date**”), the Shares were successfully listed on GEM by way of Share Offer. After deducting all the relevant commissions and expenses borne by the Company, there was approximately HK\$42.3 million of net proceeds from the Share Offer. The Group will utilise such net proceeds in accordance with the business strategies as set out in the Company’s prospectus (the “**Prospectus**”) dated 31 January 2018 and our announcement dated 9 October 2018 regarding the change of use of proceeds.

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2023, the Group recorded revenue to approximately HK\$3.7 million as compared to HK\$0.6 million for the three months ended 31 March 2022 which was mainly due to the improved performance of the bar and the revenue of new restaurants “Sushi MEW (HK)” and “Sushi MEW (Singapore)” set up during 2022.



Other gains and losses

The Group recorded net other losses of approximately HK\$13.3 million for the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil). The losses for the three months ended 31 March 2023 was due to written off of balances due from Leading Win with the Company and its fellow subsidiaries.

Raw materials and consumables used

The raw materials and consumables used changed to approximately HK\$1.3 million for the three months ended 31 March 2023 from approximately HK\$0.1 million for the three months ended 31 March 2022. The Directors believed that such change, mainly due to the raw materials and consumables consumed in new restaurants “Sushi MEW (HK)” and “Sushi MEW (Singapore)”.

Staff costs

The Group’s staff costs was approximately HK\$0.8 million for the three months ended 31 March 2022 and that amounted to approximately HK\$1.8 million for the three months ended 31 March 2023. Such increase in the Group’s staff costs was mainly due to new staff employed by new restaurants “Sushi MEW (HK)” and “Sushi MEW (Singapore)”.

Depreciation

The Group’s depreciation expense was approximately HK\$0.6 million during the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil). The reason for increase in depreciation was incurred in the continuing operations was primarily due to the acquisition of property and equipment for the new restaurants “Sushi MEW (HK)” and “Sushi MEW (Singapore)”.



Other expenses

Other expenses changed from approximately HK\$0.5 million for the three months ended 31 March 2022 to approximately HK\$1.5 million for the three months ended 31 March 2023. Such change in the Group's other expenses was mainly due to the contribution from new restaurants "Sushi MEW (HK)" and "Sushi MEW (Singapore)".

Finance costs

Finance costs was approximately HK\$0.1 million for the three months ended 31 March 2023 (Three months ended 31 March 2022: HK\$98,000). Such change in the Group's finance costs was mainly due to the interest expenses of lease liabilities incurred from the new lease agreements for new restaurants.

Gain on de-consolidation

The Group recorded gain on de-consolidation of approximately HK\$26.4 million for the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil). The gain for the three months ended 31 March 2023 was due to all the assets and liabilities of Leading Win de-consolidated from the Group's consolidation statement of financial position as at 31 March 2023.

Profit/(loss) and total comprehensive income/(expense)

The profit and total comprehensive income for the three months ended 31 March 2023 were approximately HK\$11.5 million and approximately HK\$11.4 million respectively (Three months ended 31 March 2022: loss and total comprehensive expense of approximately HK\$0.9 million). The change from loss to profit position was mainly attributable to the combination of gain on de-consolidation and the factors discussed above.



Basic earning/(loss) per share

The Group has basic earning per share from continuing and discontinued operations of approximately 0.85 HK cents and loss per share from continuing operations of 1.06 HK cents for the three months ended 31 March 2023. For the three months ended 31 March 2022, the Group has a basic loss per share of approximately 0.06 HK cents. Such change was in line with the change discussed above.

RESERVES

Movements in the reserves of the Group for the three months ended 31 March 2023 are set out above in the unaudited condensed consolidated statement of changes in equity.

DIVIDEND

No dividend was paid, proposed or declared for the shareholders of the Company (the “**Shareholders**”) for the three months ended 31 March 2023 (Three months ended 31 March 2022: Nil).




FUTURE PROSPECTS

The catering industry in Hong Kong is facing a tough challenge amidst the continuous weakened market sentiment outbreak of COVID-19 since 2020. During the year ended 31 December 2022, the Group has established a new two restaurants under the brand of MEW (“**Sushi MEW (HK)**”) and Xperience Lifestyle (“**Sushi MEW (Singapore)**”). In addition to the existing bar and online sales platform for the sales of food and beverage products since 2021, the Group has made remarkable improvement which can be reflected from the increase in revenue and decrease in the net loss for the year by the continuing operations. The Group is in the view that its strategies to explore other new business possibilities in order to maintain its market position and diversify and stabilize its source of income is a successful step. Looking forward, as Hong Kong and the whole world are returning to normal life from the COVID-19 situation, the Group is optimistic to the recover in the entire food and beverage business but at the same time would continue to take cautious actions to control costs and exploring new business opportunities within Hong Kong and overseas to maintain our profitability and competitiveness in the market.

WINDING UP ORDER AGAINST THE SUBSIDIARY OF THE COMPANY

On 22 March 2023, a winding up order of Leading Win, a wholly owned subsidiary of the Company, was granted by the High Court of the Hong Kong Special Administrative Region and Leading Win is in compulsory winding up process by its provisional liquidator during the three months ended 31 March 2023.

Leading Win was running a Sichuanese and Cantonese restaurant under the “San Xi Lou” brand which operation was discontinued in the third quarter of 2021. All the assets and liabilities of Leading Win has been de-consolidated from the Group’s consolidation statement of financial position as at 31 March 2023. A gain on deconsolidation was recognized and intra-group balances due from Leading Win with the Company and its fellow subsidiaries were written off.



Except for the above, to the best knowledge of the Company, the winding up order of Leading Win has no material impact to the current core business operation and financial position of the Company and its other subsidiaries. The Company is actively seeking legal advice in relation to the winding up order of Leading Win and will keep its shareholders and investors informed of any significant development of the winding up order of Leading Win. The Company will make further announcement(s) as and when appropriate in accordance with the GEM Listing Rules.

EVENTS AFTER REPORTING PERIOD

Please refer to the note 9 to the condensed consolidated financial statements.

SIGNIFICANT INVESTMENT HELD

As at 31 March 2022 and 2023, the Group did not hold any significant investments.

CONTINGENT LIABILITIES

The Group has been served a number of litigations and claims by various parties. These claims and litigations are in relation to arrears rent and salaries of the Group and has been recognised in the other payables and accrual and salaries payables. Additional interest and penalty might be incurred due to the delay in settlement of such payables and the Group has several litigations related to arrears salaries and rent. The Group had obtained legal advice, and considers no additional interest and penalty is required apart from the amounts stated in the other payables and accruals, salaries payables and provisions. Details of the litigation and claims could be referred to the note 10 to the condensed consolidated financial statements.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

(i) **Interests and short positions in the Shares, underlying shares and debentures of the Company**

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Mr. Stanley Chuk	Interest in controlled corporation <i>(Note 1)</i>	461,888,000	Short	33.41%

Note:

- (1) 461,888,000 Shares were held by JSS Group, which is wholly owned by Mr. Stanley Chuk. As such, Mr. Stanley Chuk was deemed to be interested in all the shares held by JSS Group pursuant to Part XV of the SFO.

(ii) **Interests and short positions in the shares, underlying shares and debentures of associated corporations**

Name	Name of Associated Corporation	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in Associated Corporation (%)
Mr. Stanley Chuk	JSS Group	Beneficial owner	1,000	Short	100%

Save as disclosed above, as at 31 March 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this report, at no time during the three months ended 31 March 2023 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

SUBSTANTIAL AND OTHER SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had 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 the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/Short Position	Approximate Percentage of Shareholding in the Company (%)
Lazarus Securities Pty Ltd	Beneficial owner	461,888,000	Long	33.41%
JSS Group	Beneficial owner	461,888,000	Short	33.41%
Axis Motion Limited	Beneficial owner	230,400,000	Long	16.67%
Focus Dynamics Group Berhad	Beneficial owner	192,000,000	Long	13.89%

Save as disclosed above, as at 31 March 2023, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.



PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company during the three months ended 31 March 2023, and neither the Company nor any of its subsidiaries had issued or granted any convertible securities, options, warrants or similar rights or exercised any conversion or subscription rights under any convertible securities, options, warrants or similar rights during the three months ended 31 March 2023.

COMPETING INTERESTS

As at 31 March 2023, none of the Directors or the controlling shareholders (as defined in the GEM Listing Rules) of the Company or their respective close associates (as defined in the GEM Listing Rules) was considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the business of the Group and/or caused, or was likely to cause, any other conflicts of interest with the Group, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company has not engaged in any activities falling under the continuing disclosure requirements pursuant to the Rules 17.22 and 17.24 of the GEM Listing Rules.

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 the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors during the three months ended 31 March 2023.



COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on principles and code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules (the "**Corporate Governance Code**"). Save as disclosed below, the Group has complied with the code provisions of the Corporate Governance Code:

Code provision C.2.1 of the Corporate Governance Code provides that the role of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Stanley Chuk is the chairman and the chief executive officer of the Company. In view of Mr. Stanley Chuk being a founder of the Group and has been operating and managing the main operating subsidiaries of the Company, the Board believes that it is in the best interest of the Group to have Mr. Stanley Chuk take up both roles for effective operational management and strategic business development. Further, the Board believes that both positions require in-depth knowledge and considerable experience of the Group's business and Mr. Stanley Chuk is the most suitable person to occupy both positions for the Group and facilitating the implementation and execution of the Group's business strategy as disclosed in the Prospectus. Therefore, the Directors consider that the deviation from code provision C.2.1 of the Corporate Governance Code is appropriate, and Mr. Stanley Chuk being the chairman and the chief executive officer can preserve and enhance the philosophies of the Group, preserve the leadership direction of the Group, and allow an efficient discharge of the executive functions of the chief executive as the decision maker. The Directors also believe that a balance of power and authority is adequately ensured by the operations of the Board which comprises individuals with diverse professional backgrounds and experiences including three independent non-executive Directors. The Board shall nevertheless review the structure from time to time in light of prevailing circumstances.

AUDIT AND RISK MANAGEMENT COMMITTEE

The audit and risk management committee of the Company (the “**Audit and Risk Management Committee**”) has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision D.3.3 of the Corporate Governance Code. The Audit and Risk Management Committee currently consists of three independent non-executive Directors, namely Mr. Wong Ching Wan, as the chairman of the Audit and Risk Management Committee, Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke. The primary duties of the Audit and Risk Management Committee include, among others, monitoring compliance with the laws and regulations that are applicable to the operations of the Group, reviewing the reports and findings submitted by the internal control consultant to ensure the effectiveness of the Group’s regulatory compliance procedures and system, reviewing and monitoring the Group’s financial reporting process, the risk management procedures as well as internal control system, reviewing the Group’s financial information, considering issues relating to the external auditors and their appointment, and performing other duties and responsibilities as assigned by the Board.

Pursuant to code provision D.3.3 of the Corporate Governance Code, the Audit and Risk Management Committee together with the management of the Company have reviewed the financial reporting matters including the review of the unaudited first quarterly results for the three months ended 31 March 2023 of the Group and confirmed that the preparation of the same complied with the applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.

By order of the Board
Top Standard Corporation
Chuk Stanley
Chairman and Executive Director

Hong Kong, 15 May 2023

As at the date of this report, the executive Directors are Mr. Chuk Stanley and Mr. Ying Kan Man; and the independent non-executive Directors are Mr. Wong Ching Wan, Mr. Tang Chiu Ming, Jeremy and Mr. Yip Ki Chi, Luke.

This report will remain on the “Latest Listed Company Information” page of the Stock Exchange at www.hkexnews.hk for at least seven days from its date of publication. This report will also be published on the website of the Company at www.topstandard.com.hk.