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Top Standard Corporation

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8510)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

Reference is made to the annual report (the “**Annual Report**”) of Top Standard Corporation (the “**Company**”, together with its subsidiaries, the “**Group**”) for the year ended 31 December 2021 (“**FY2021**”) published on 1 April 2022. Capitalised terms used herein shall have the same meanings as those defined in the Annual Report unless the context requires otherwise.

Further to the information disclosed in the Annual Report, the board of directors of the Company (the “**Board**”) would like to provide to the shareholders of the Company and the potential investors with the following supplementary information:

IMPAIRMENT LOSSES OF PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

As stated in the Annual Report, the Company recognized an impairment loss of approximately HK\$0.1 million (2020: nil) on property and equipment and approximately HK\$6.5 million (2020: nil) on right-of-use assets for FY2021. The Company has performed the internal assessment instead of engaging an independent valuer relating to determine the recoverable amount of property and equipment and right-of-use assets for FY2021.

During FY2021, the Group (i) acquired a company, Code Entertainment Limited in June 2021; and (ii) incorporated two companies MOW Limited and MEW HK Limited in April 2021 and August 2021 respectively. The impairment loss of approximately HK\$0.1 million and HK\$6.5 million on property and equipment and right-of-use assets for FY2021 are contributed by the aforesaid companies (the “**Subject Companies**”).

The determination of the value in use of the Subject Companies is discounted cash flow method (“**DCF**”) under income approach. In the DCF method, the weighted average cost of capital (“**WACC**”) of 12.93% was adopted to discount the future free cash flows of the Subject Companies, which are determined based on the financial projections prepared by the management of the Company over a five-year period (i.e. from the financial year ending 31 December 2022 to 31 December 2025) plus a terminal value based on the long-term growth rate of 1.7% of the Subject Companies. The WACC represents the average after-tax cost of capital and debt which was computed by the Company with reference to the market’s financial ratio and consider its incremental borrowing cost. The long-term growth rate is determined by reference to the long-term inflation of Hong Kong.

As stated in the Annual Report, the catering industry in Hong Kong is facing a tough challenge amidst the continuous weakened market sentiment outbreak of COVID-19 in 2020 and 2021. The management expects that the overall economic environment in Hong Kong in near term would still be unstable and would be challenging to the Group. In addition, due to the strict epidemic prevention policy, the customers had to comply with at-home quarantine measures which greatly affected the turnover of the restaurant. The management of the Company estimated that the impact of COVID-19 would have an adverse effect on the overall performance of the Subject Companies.

The overall assessment of impairment was based on major assumptions such as the expected business volume and the expected revenue were determined with reference to the development and operations of each of the Subject Companies. Besides, in preparing the financial projections, the management assumed there would be no material change in the exiting political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Subject Companies. The estimated gross profit ratio and administrative expenses are estimated based on historical operation data and the industry norm. Under the factors as stated above, the Company was in the view that the value in use of the Subject Companies had no commercial value based on the assessment, the property and equipment and right-of-use assets of the Subject Companies were fully impaired for FY2021 accordingly.

The value of the inputs and assumptions adopted by the Company are consistent with the previous financial periods. For the period ended 31 December 2020, no impairment loss was recognised as all of the property and equipment and right-of-use assets of the Group were fully impaired previously. The significant increase in the amount of impairment loss for FY2021 was mainly due to the newly acquired and established group companies during FY2021 instead of the change in the valuation method used.

The information contained in this supplemental announcement does not affect other information contained in the Annual Report. Save as disclosed above, all other information in the Annual Report remains unchanged.

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

Hong Kong, 21 October 2022

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.