# Top Standard Corporation

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8510)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

### 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 Top Standard Corporation (the "**Company**", together with its subsidiaries, the "**Group**" or "**we**") 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.*

**RESULTS**

The Directors are pleased to announce the consolidated results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
*For the year ended 31 December 2023*

| | *Notes* | **2023** **HK$'000** | 2022 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | *4* | **9,072** | 12,480 |
| Other income | | **886** | 1,147 |
| Other gains | | **1,377** | 31 |
| Gain on de-consolidation of a subsidiary | | **13,400** | – |
| Raw materials and consumables used | | **(4,180)** | (4,171) |
| Staff costs | | **(4,186)** | (5,372) |
| Depreciation of property and equipment | | **(1,858)** | (972) |
| Depreciation of right-of-use assets | | **(1,209)** | (822) |
| Impairment loss on: | | | |
| – goodwill | | **(109)** | – |
| – property and equipment | | **(2,429)** | (1,388) |
| – right-of-use assets | | **–** | (158) |
| Rental and related expenses | | **(762)** | (989) |
| Utilities expenses | | **(328)** | (176) |
| Other expenses | | **(5,113)** | (7,770) |
| Finance costs | *5* | **(626)** | (623) |
| Share of result of associates | | **87** | – |
| Profit/(loss) before taxation | | **4,022** | (8,783) |
| Income tax expense | *6* | **–** | – |
| Profit/(loss) for the year from continuing operations | | **4,022** | (8,783) |
| **Discontinued operations** | | | |
| Loss for the year from discontinued operations | | **–** | (36) |
| Profit/(loss) for the year | *7* | **4,022** | (8,819) |
| **Other comprehensive (expense)/income for the year** | | | |
| *Item that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences arising on translation of a foreign operation | | **(27)** | 30 |
| **Other comprehensive (expense)/income for the year, net of tax** | | **(27)** | 30 |
| **Total comprehensive income/(expense) for the year** | | **3,995** | (8,789) |

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Profit/(loss) for the year attributable to the owners of the Company** | | | |
| – from continuing operations | | **6,009** | (7,469) |
| – from discontinued operations | | **–** | (36) |
| | | **6,009** | (7,505) |
| **Loss attributable to non-controlling interests** | | | |
| – from continuing operations | | **(1,987)** | (1,314) |
| – from discontinued operations | | **–** | – |
| | | **(1,987)** | (1,314) |
| **Total comprehensive income/(expense) for the year attributable to the owners of the Company** | | | |
| – from continuing operations | | **5,982** | (7,439) |
| – from discontinued operations | | **–** | (36) |
| | | **5,982** | (7,475) |
| **Total comprehensive income/(expense) for the year attributable to:** | | | |
| – owners of the Company | | **5,982** | (7,475) |
| – non-controlling interests | | **(1,987)** | (1,314) |
| | | **3,995** | (8,789) |
| **Basic and diluted earnings/(loss) per share (Hong Kong cents)** | | | |
| – from continuing and discontinued operations | *9* | **0.43** | (0.54) |
| – from continuing operations | *9* | **0.43** | (0.54) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | | **5,526** | 3,480 |
| Right-of-use assets | | **4,215** | 2,237 |
| Goodwill | | **–** | 109 |
| Deposits | *10* | **1,503** | 1,275 |
| Interests in associates | | **250** | – |
| Deferred tax assets | | **316** | – |
| | | **11,810** | 7,101 |
| **Current assets** | | | |
| Inventories | | **402** | 582 |
| Trade receivables, deposits and prepayments | *10* | **810** | 1,161 |
| Amount due from a related party | | **34** | 89 |
| Cash and cash equivalents | | **2,416** | 1,179 |
| | | **3,662** | 3,011 |
| **Current liabilities** | | | |
| Trade and other payables and accruals | *11* | **6,965** | 14,682 |
| Bank and other borrowings | *12* | **1,595** | 343 |
| Lease liabilities | | **2,425** | 3,001 |
| Provisions | | **150** | 3,487 |
| Amounts due to related parties | | **2,719** | – |
| Amounts due to non-controlling interests | | **4,148** | 40 |
| | | **18,002** | 21,553 |
| **Net current liabilities** | | **(14,340)** | (18,542) |
| **Total assets less current liabilities** | | **(2,530)** | (11,441) |

| | Notes | **2023** | 2022 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| **Non-current liabilities** | | | |
| Bank and other borrowings | *12* | **1,681** | – |
| Lease liabilities | | **3,721** | 4,111 |
| Provisions | | **21** | 221 |
| Deferred tax liabilities | | **316** | – |
| | | **5,739** | 4,332 |
| **Net liabilities** | | **(8,269)** | (15,773) |
| **Capital and reserves** | | | |
| Share capital | | **16,589** | 13,824 |
| Reserves | | **(21,466)** | (28,187) |
| **Equity attributable to owners of the Company** | | **(4,877)** | (14,363) |
| **Non-controlling interests** | | **(3,392)** | (1,410) |
| **Total deficit** | | **(8,269)** | (15,773) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
*For the year ended 31 December 2023*

## 1. GENERAL

Top Standard Corporation (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 GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 13 February 2018.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

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 Company is an investment holding company. The activities of its subsidiaries are engaged in the provision of food catering services through restaurants and online sales of wines.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

## 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

### Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include the applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and by the Hong Kong Companies Ordinance.

### Going Concern assumption

In preparing the consolidated financial statements, 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$14,340,000 (2022: HK$18,542,000) as at 31 December 2023, the Group's total liabilities exceeded its total assets by HK$8,269,000 (2022: HK$15,773,000).

(ii) As at 31 December 2023, the Group has cash and cash equivalents of HK$2,416,000 (2022: HK$1,179,000) which is insufficient to settle all the current liabilities, which includes lease liabilities of HK$2,425,000 (2022: HK$3,001,000), salary payables of HK$1,166,000 (2022: HK$3,320,000), accruals and other payables of HK$3,380,000 (2022: HK$9,212,000) and provisions of HK$150,000 (2022: HK$3,487,000).

In view of such circumstances, which indicate the existence of uncertainties that may cast doubt about the Group's and the Company's ability to continue as a going concern and therefore, the Group and the Company 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 the Company, and the available sources of financing in assessing whether the Group and the Company 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 and the Company's financial position which include, but are not limited to, the followings:

(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 2023 and 2022, the management discontinued the operations of certain subsidiaries, to reduce the Group's liabilities and cash outflows.

(b) During the year, the Company has started up its restaurants business thought its subsidiaries, SUSHI QUBEY Sdn Bhd ("**Sushi Qubey**") and SUSHI MEW Sdn Bhd ("**Sushi MEW**") in Malaysia, and have contributed of approximately of HK$2,726,000 to the Group's revenue.

(c) The Group will continue to seek for alternative financing solutions and/or group re-organisation to turnround the difficulties encountered by the Group and the Company.

The directors of the Company, based on a cash flow forecast of the Group covering a period up to 31 December 2024 which 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 consolidated financial statements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 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 other than which they are currently recorded in the consolidated statement of financial position at 31 December 2023, 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 these consolidated financial statements.

## 3. APPLICATION OF AMENDMENTS TO HKFRSs

**New and amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

| | |
|---|---|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | International Tax Reform-Pillar Two model Rules |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies |

The application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**Amendments to HKFRSs in issue but not yet effective**

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[2] |
| Amendments to HKAS 7 and HKFRS 7 | Supplier Finance Arrangements[2] |
| Amendments to HKAS 21 | Lack of Exchangeability[3] |

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of food catering services through restaurants and online sales of wines. The following is revenue and segment information analysis:

### (i) Disaggregation of revenue from contracts with customers

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Catering service income (including services provided and food and beverage served) | **8,606** | 12,259 |
| Online sales of wines | **466** | 221 |
| | **9,072** | 12,480 |
| Timing of revenue recognition | | |
| A point in time | **9,072** | 12,480 |

### (ii) Performance obligations for contracts with customers

Revenue from catering service income is recognised when control of the goods and services have been transferred to the customers, being at the point the goods are delivered and the related services are rendered to the customers. Payment of the transaction price is due immediately to 60 days at the point the Group provides the services and serves the foods and beverage to the customers.

For online sales of wines, revenue is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers. Delivery occurs when the goods have been shipped to the customer's specific location. When the customers initially purchases the goods online, the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customers.

### (iii) Segment informations

The consolidated financial statements reported to the management of the Group, being the chief operating decision maker ("**CODM**"), for the purpose of assessment of segment performance and resources allocation focusing on different restaurants of the Group. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

The Group has two operating and reportable segments, which includes (i) catering service income and (ii) online sales of wines under the brand of MOW ("**MOW**").

During the year ended 31 December 2023, there are two new restaurants operated under the brand of Sushi MEW ("**Sushi MEW**") and Sushi Qubey ("**Sushi Qubey**") and are allocated to catering service income segment.

The CODM reviews the Group's result by referring to the above two segments in order to assess performance and allocation of resources. Other than segment results, no segment assets and liabilities are available for the assessment of performance and allocation of resources for the year as in the opinion of the directors, the cost to develop it would be excessive. The CODM reviews the segment results of the Group as a whole to make decisions.

**Segment revenue and results**

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | **Catering service income** | **Online sales of wine** | **Sub-total** | **San Xi Lou CWB** | **Total** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| **Year ended 31 December 2023** | | | | | |
| Revenue | **8,606** | **466** | **9,072** | **–** | **9,072** |
| Segment result | **(6,698)** | **(1,806)** | **(8,504)** | **–** | **(8,504)** |
| Other income | | | | | **886** |
| Other gains | | | | | **1,377** |
| Gain on de-consolidation of a subsidiary | | | | | **13,400** |
| Finance costs | | | | | **(626)** |
| Unallocated other expenses | | | | | **(2,511)** |
| Profit before tax | | | | | **4,022** |

| | Continuing operations | | | Discontinued operation | |
|---|---|---|---|---|---|
| | Catering service income | Online sales of wine | Sub-total | San Xi Lou CWB | Total |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **Year ended 31 December 2022** | | | | | |
| Revenue | 12,259 | 221 | 12,480 | – | 12,480 |
| Segment result | (5,519) | (1,289) | (6,808) | (36) | (6,844) |
| Other income | | | | | 1,147 |
| Other gains | | | | | 31 |
| Finance costs | | | | | (623) |
| Unallocated other expenses | | | | | (2,530) |
| Loss before tax | | | | | (8,819) |

Segment result represents the loss incurred by each segment without allocation of other incomes, certain unallocated other gains, finance costs, other expenses (including head office staff costs, rental and other corporate expenses during the year) and taxation.

**Geographical information**

The following table presents revenue from external customers for the year ended 31 December 2023 and 2022, by geographical area.

***Revenue from external customers***

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Hong Kong | **5,475** | 11,290 |
| Singapore | **871** | 1,190 |
| Malaysia | **2,726** | – |
| | **9,072** | 12,480 |

The revenue information above is based on the location of goods delivered and services provided for the year.

There is no single customers who contributes over 10% of the total revenue of the Group.

## 5. FINANCE COSTS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| The finance costs represent interest on: | | |
| – Bank borrowings | **–*** | 3 |
| – Other borrowing | **42** | – |
| – Lease liabilities | **584** | 620 |
| | **626** | 623 |

* Less than HK$1,000

## 6. INCOME TAX EXPENSE

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Continuing operations** | | |
| Hong Kong Profits Tax: | | |
| Current tax | – | – |
| Singapore Corporate Income Tax: | | |
| Current tax | – | – |
| Malaysia Corporate Income Tax: | | |
| Current tax | – | – |
| | – | – |
| Deferred taxation charge | – | – |
| Share of result of associates | –* | – |
| | – | – |

* Less than HK$1,000

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Singapore Corporate Income Tax has been provided at 17% (2022: 17%) on the estimated assessable profits arising in Singapore during the year.

The Group's subsidiaries in Malaysia are subject to corporate income tax at a rate of 15%.

No provisions for Hong Kong Profits Tax, Singapore and Malaysia corporate income tax have been made in the consolidated financial statements since the Group has no assessable profits derived for the years ended 31 December 2023 and 2022.

The income tax expense for the year ended 31 December 2023 and 2022 can be reconciled to the profit/(loss) before taxation as follows:

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Continuing operations** | | |
| Profit/(loss) before taxation from continuing operations | **4,022** | (8,783) |
| Tax at the domestic income tax rate | **664** | (1,449) |
| Tax effect of share of result of associates | **–*** | – |
| Tax effect of expense not deductible for tax purpose | **1,083** | 749 |
| Tax effect of income not taxable for tax purpose | **(2,447)** | (74) |
| Tax effect of tax losses/deductible temporary differences not recognised | **713** | 1,054 |
| Utilisation of tax losses previously not recognised | **(9)** | (257) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(4)** | (23) |
| Income tax expense from continuing operations | **–** | – |

* Less than HK$1,000

## 7. PROFIT/(LOSS) FOR THE YEAR

| | 2023 | 2022 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| **Continuing operations** | | |
| Profit/(loss) before taxation has been arrived at after charging: | | |
| Depreciation of property and equipment | **1,858** | 972 |
| Depreciation of right-of-use assets | **1,209** | 822 |
| Impairment loss on: | | |
| – goodwill | **109** | – |
| – property and equipment | **2,429** | 1,388 |
| – right-of-use assets | **–** | 158 |
| Auditor's remuneration | **660** | 660 |
| Staff costs (including directors' emoluments) | | |
| Salaries and other benefits | **3,983** | 5,127 |
| Retirement benefits scheme contributions | **203** | 245 |
| | **4,186** | 5,372 |
| Short-term lease payment in respect of | | |
| – land and buildings | **200** | 103 |
| – catering equipment | **2** | 19 |
| | **202** | 122 |

## 8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2023 and 2022, nor has any dividend been proposed since the end of the reporting periods.

## 9. EARNINGS/(LOSS) PER SHARE

**For continuing operations**

The calculation of the basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following data:

Earnings/(loss) figures are calculated as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit/(loss) for the year attributable to owners of the Company | **6,009** | (7,505) |
| Less: | | |
| Loss for the year from discontinued operations | **–** | (36) |
| Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations | **6,009** | (7,469) |

**Number of shares**

| | ***'000*** | *'000* |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share | **1,391,490** | 1,382,400 |

**From continuing and discontinued operations**

The calculation of the basic and diluted earnings/(loss) per share from continuing and discontinued operations attributable to the owners of the Company is based on the following data:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit/(loss) for the purpose of basic and diluted loss per share | | |
| Profit/(loss) for the year attributable to owners of the Company | **6,009** | (7,505) |

The denominators used are the same as those detailed above for basic and diluted earnings/(loss) per share.

**From discontinued operations**

Basic and diluted earnings per share for the discontinued operations is HK$0.00 cents per share (2022: HK$0.00 cents per shares), based on the loss for the year from the discontinued operations of approximately HK$0.00 (2022: loss of approximately HK$36,000) and the denominators detailed above for both basic and diluted loss per share.

## 10. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | | |
| – Amount due from a non-controlling interest | **10** | – |
| – Amounts due from third parties | **178** | 223 |
| Rental deposits | | |
| – Amounts due from a non-controlling interest | **510** | – |
| – Amounts due from third parties | **1,099** | 1,361 |
| Other deposits | **204** | 436 |
| Prepayments and other receivables | **312** | 416 |
| Total | **2,313** | 2,436 |
| Analysed for reporting purposes as: | | |
| Non-current assets | **1,503** | 1,275 |
| Current assets | **810** | 1,161 |
| | **2,313** | 2,436 |

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The carrying values of trade receivables, deposits and prepayments are denominated in the following currencies: | | |
| HK$ | **1,393** | 2,436 |
| Singapore Dollars ("**SGD**") | **182** | – |
| Malaysia Ringgit ("**MYR**") | **738** | – |
| | **2,313** | 2,436 |

There was no credit period granted to individual customers for the restaurant operations.

The Group's trading terms with its customers are mainly by cash, credit card, electronic and mobile payments. The settlement terms of credit card, electronic and mobile payments companies are usually 7 days after the service rendered date.

However, the Group allows a credit period of 30 days to its VIP members which include certain corporate customers for consumption in the Group's restaurants. The credit period provided to customers can vary based on a number of factors including nature of operations, the Group's relationship with the customer and the customer's credit profile. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non interest-bearing. They are stated after netting the loss allowance.

No interest is charged on the trade receivables on the outstanding balance.

During the year ended 31 December 2023 and 2022, there is no impairment loss under ECL model from continuing operations recognised in the profit or loss.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date, which approximated the respective revenue recognition date, at the end of the reporting periods.

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **148** | 205 |
| 31 to 60 days | **13** | 18 |
| Over 90 days | **27** | – |
| | **188** | 223 |

As at 31 December 2023, included in the Group's trade receivables balance, one debtor with aggregate carrying amount of HK$40,000 (2022: HK$18,000) which are past due as at the reporting date. Out of the past due balances, HK$40,000 (2022: HK$18,000) has been past due 30 days or more and is not considered as in default as these balances are mainly due from customers of good credit quality. The Group does not hold any collateral over the balances.

## 11. TRADE AND OTHER PAYABLES AND ACCRUALS

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **2,419** | 2,150 |
| Salaries payables | **1,166** | 3,320 |
| Accruals and other payables | **3,380** | 9,212 |
| | **6,965** | 14,682 |

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The carrying values of trade and other payables and accruals are denominated in the following currencies: | | |
| HK$ | **3,431** | 13,159 |
| SGD | **2,465** | 1,523 |
| MYR | **1,069** | – |
| | **6,965** | 14,682 |

The credit period granted to the Group by suppliers normally ranges from 0 to 60 days.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting periods:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0–30 days | **328** | 390 |
| 31–60 days | **118** | 39 |
| 61–90 days | **69** | 72 |
| Over 90 days | **1,904** | 1,649 |
| | **2,419** | 2,150 |

**12. BANK AND OTHER BORROWINGS**

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Bank overdrafts | **–*** | 255 |
| Other bank borrowing | **–** | 88 |
| Other borrowing | **3,276** | – |
| | **3,276** | 343 |
| Unsecured | **3,276** | 343 |

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The carrying values of bank borrowings are denominated in the following currencies: | | |
| HK$ | **–*** | 343 |
| MYR | **3,276** | – |
| | **3,276** | 343 |

* Less than HK$1,000

| | 2023 | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The carrying amounts of the above borrowings are repayable: | | |
| – Within one year | **1,595** | 343 |
| – Within a period of more than one year but not exceeding two years | **1,681** | – |
| | **3,276** | 343 |
| Less: Amounts due within one year shown under current liabilities | **(1,595)** | (343) |
| Amount shown under non-current liabilities | **1,681** | – |

Bank overdrafts carry interest at market rates from 10.88% to 13.88% per annum as at 31 December 2023 (2022: 14.13%).

The other bank borrowing carries interest at market rate. The effective interest rate on the Group's other bank borrowing was 14.12% per annum as at 31 December 2022.

None of the bank borrowings are secured and guaranteed as at 31 December 2023 (2022: Nil).

As at 31 December 2023, other borrowing of HK$3,276,000 (2022: Nil) are secured, guaranteed by Focus Supernova Sdn. Bhd, the non-controlling interest of the Company and Noble Triumph Limited, the subsidiary of the Company, interest-bearing and are repayable within 24 months from the date of drawdown.

## EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2023 which included a disclaimer of opinion:

## DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR DISCLAIMER OF OPINION

### Multiple Uncertainties Relating to Going Concern

As described in note 2 to the consolidated financial statements, the Group has encountered a number of circumstances giving use to material fundamental uncertainties. The Group is principally sustained in its daily operations by the financial support from shareholders. The Group is pursuing certain finance measures set out in note 2 to the consolidated financial statements.

The directors of the Company have been undertaking a number of measures to improve the Group's liquidity and financial position, to enable the Group to meet its financial obligations as and when they fall due for the foreseeable future. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends, among others, on the successful and favourable outcome of these measures, which are subject to multiple uncertainties, including (a) the successful of improvement on its catering business and online sales business; and (b) the ability to obtain continuous financial support.

We were unable to obtain sufficient appropriate audit evidence regarding the use of going concern assumption in the preparation of the consolidated financial statements. In particular, we have not been provided with sufficient appropriate documentary evidence to enable us to assess successfulness of the measures undertaking by the Group. If one or more of the measures undertaken by the Group fails, the Group would be unable to meet its financial obligations as and when they fall due and it might not be able to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets and liabilities may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 December 2023. In addition, the Group may have to recognise further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Any adjustments that would be required may have a consequential significant effect on the financial performance and the elements making up the consolidated statement of cash flows of the Group for the year ended 31 December 2023 and the financial position of the Group as at 31 December 2023, and the related disclosures thereof in the consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a restaurant group that operates restaurants and bar in Hong Kong and South-east Asia and online sales of wines. The Group's revenue for the year ended 31 December 2023 was primarily derived from catering income through its restaurants and bar.

For the year ended 31 December 2023, the Group recorded a decrease in revenue of approximately HK$9.1 million as compared to HK$12.5 million for the year ended 31 December 2022 for continuing operations. Such decrease was mainly due to the decrease in revenue generated from the operation of Japanese restaurants and bar.

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 were approximately HK$42.3 million of net proceeds from the Share Offer. The Group has fully utilised 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 regarding the change of use of proceeds dated 9 October 2018.

## FINANCIAL REVIEW

### Revenue

The Group's revenue decreased to approximately HK$9.1 million for the year ended 31 December 2023 from approximately HK$12.5 million for the year ended 31 December 2022. Such decrease was attributed from the decrease in revenue generated from the operation of Japanese restaurants and bar.

### Raw materials and consumables used

The raw materials and consumables remain stable at approximately HK$4.2 million for the year ended 31 December 2023. It was mainly due to the increasing material costs of raw materials since the recovery of entire economy and catering business.

### Staff costs

The Group's staff costs were approximately HK$4.2 million for the year ended 31 December 2023. The amount for the year ended 31 December 2022 was approximately HK$5.4 million. The decrease was due to the cut down of headcounts and changing of full time staff to part time staff for the purpose of cost saving.

### Depreciation

During the year ended 31 December 2023, the Group incurred depreciation of approximately HK$3.1 million (year ended 31 December 2022: HK$1.8 million). The reason for the increase of depreciation in the continuing operations was primarily due to the acquisition of property and equipment for the new restaurants during the year ended 31 December 2023.

**Impairment loss**

The Group estimated that certain restaurants with impairment indicators may not generate a net cash inflow in the future and therefore impairment loss of approximately HK$0.1 million and HK$2.4 million has been recognised against the goodwill and carrying amount of property and equipment respectively during the year ended 31 December 2023 (year ended 31 December 2022: Nil and HK$1.4 million for goodwill and carrying amount of property and equipment respectively for continuing operations).

**Rental and related expenses**

Rental and related expenses was approximately HK$0.8 million for the year ended 31 December 2023 (year ended 31 December 2022: HK$1.0 million). As the rental expenses of the restaurants were recognized as the right-of-use assets, the rental and related expenses did not have significant changes.

**Utilities expenses**

Utilities expenses increased to approximately HK$328,000 for the year ended 31 December 2023 due to the new segments. The increase was mainly due to the set up of new restaurants.

**Gain on de-consolidation**

The Group recorded gain on de-consolidation of approximately HK$13.4 million for the year ended 31 December 2023 (year ended 31 December 2022: Nil). The gain for the year ended 31 December 2023 was due to all the assets and liabilities of Leading Win Limited de-consolidated from the Group's consolidation statement of financial position as at 31 December 2023.

**Finance costs**

For continuing operations, finance costs remain stable at approximately HK$0.6 million for the year ended 31 December 2023.

**Other expenses**

Other expenses was mostly representing the legal and professional fee, entertainment, advertising, and the club security expenses. The decrease from approximately HK$7.8 million for the year ended 31 December 2022 to approximately HK$5.1 million was main due to the decrease in legal and professional fee and also the reflection of the Group's cost saving measures on its overall spendings.

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

The profit and total comprehensive income for the year ended 31 December 2023 were approximately HK$4.0 million and HK$4.0 million respectively. (year ended 31 December 2022: loss and total comprehensive expense of approximately HK$8.8 million and HK$8.8 million respectively). 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 0.43 HK cents and earning per share from continuing operations of 0.43 HK cents for the year ended 31 December 2023. For the year ended 31 December 2022, the Group has a basic loss per share from continuing and discontinued operations of approximately 0.54 HK cents and loss per share from continuing operations of approximately 0.54 HK cents. Such change was in line with the change discussed above.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group had total assets of approximately HK$15.5 million (31 December 2022: approximately HK$10.1 million), which is financed by total liabilities and shareholders' deficit (comprising share capital and reserves) of approximately HK$23.7 million (31 December 2022: approximately HK$25.9 million) and approximately HK$8.3 million (31 December 2022: approximately HK$15.8 million), respectively. The current ratio of the Group as at 31 December 2023 was approximately 0.2 times (31 December 2022: approximately 0.1 times).

As at 31 December 2023, the Group had bank balances and cash of approximately HK$2.4 million (31 December 2022: approximately HK$1.2 million). The total interest-bearing loan of the Group as at 31 December 2023 was approximately HK$3.3 million (31 December 2022: approximately HK$343,000). The gearing ratio (calculated based on interest bearing loan and the lease liabilities divided by total equity) of the Group as at 31 December 2023 was zero (31 December 2022: zero) due to negative owners equity.

## FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in Hong Kong dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group.

The Group has currency exposures as substantial portion of sales, purchases, assets and liabilities are denominated in HK$, SGD and MYR. As such, the Group is exposed to foreign exchange risk arising from such exposure to SGD and MYR. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

## CAPITAL STRUCTURE

The Shares were successfully listed on GEM on the Listing Date. The share capital of the Group comprises only ordinary shares.

On 2 November 2023, the Company entered into the placing agreement (the "**1st Placing Agreement**") with the Sanston Financial Group Limited, as placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, a maximum of 276,480,000 placing shares at the placing price of HK$0.013 per placing share to not less than six placees who and whose beneficial owners shall be Independent Third Parties (the "**1st Placing**"). As the conditions precedents of the placing agreement were not fulfilled by 22 November 2023, the 1st Placing Agreement lapsed and the 1st Placing did not proceed.

Further details are set out in the Company's announcements dated 2 November 2023 and 23 November 2023.

On 6 December 2023, the Company entered into the placing agreement (the "**2nd Placing Agreement**") with Sanston Financial Group Limited, as placing agent, pursuant to which the Company has conditionally agreed to place through Sanston Financial Group Limited, on a best effort basis, a maximum of 276,480,000 placing shares at the placing price of HK$0.013 per placing share to not less than six placees who and whose beneficial owners shall be Independent Third Parties (the "**2nd Placing**").

Assuming all the placing shares are fully placed, the gross proceeds from the Placing will be approximately HK$3.6 million. The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the Placing, are estimated to be approximately HK$3.5 million. The net issue price will be approximately HK$0.012 per placing share. The placing price of HK$0.013 represents a discount of approximately 18.8% to the closing price of HK$0.016 per Share as quoted on the Stock Exchange on the date of the placing agreement, i.e. 6 December 2023. The Company intends to apply the net proceeds from the 2nd Placing as general working capital of the Group.

The Directors consider that the 2nd Placing represents an opportunity to raise additional funding for the business operations of the Group and will strengthen the Group's financial position, and enlarge shareholders' base of the Company which may in turn enhance the liquidity of the Shares, and provide working capital to the Group to meet any financial obligations of the Group.

Completion of the 2nd Placing took place on 19 December 2023. A total of 276,480,000 placing shares have been successfully placed by the placing agent to not less than six placees at placing price.

As at the date of this report, the net proceeds of the 2nd Placing were fully utilized.

Further details are set out in the Company's announcements dated 6 December 2023 and 19 December 2023.

As at 31 December 2023, the Company's issued share capital was HK$16,588,800 divided into 1,658,880,000 Shares of HK$0.01 each.

On 18 January 2024, the consolidation of every ten issued and unissued existing shares of par value of HK$0.01 each into one consolidated share of par value of HK$0.1 each became effective. Since then, the total number of issued ordinary Shares was 165,888,000 with par value of HK$0.1 each.

## BORROWINGS

As at 31 December 2023, the Group has interest-bearing borrowings amounting to approximately HK$3.3 million (31 December 2022: approximately HK$343,000). Bank overdrafts carry interest at market rates from 10.88% to 13.88% per annum as at 31 December 2023 (31 December 2022: 14.13%). The other bank borrowing carries interest at market rate. The effective interest rate on the Group's other bank borrowing was 14.12% per annum as at 31 December 2022. No financial instrument was being used for interest rate hedging purpose.

As at 31 December 2023, amounts due to related parties of the Group is approximately HK$2.7 million (31 December 2022: Nil) and amounts due to non-controlling interests of approximately HK$4.1 million (31 December 2022: HK$40,000).

Save as disclosed in this report, the Group did not have other bank borrowings as at 31 December 2023 (31 December 2022: HK$88,000).

## PLEDGE OF ASSETS

As at 31 December 2023 and 31 December 2022, the Group did not have any pledge of assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES

On 4 April 2023, TOP THINKER GROUP LIMITED (the "**Subscriber**"), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company, entered into the subscription and shareholders' agreement with Mr. Ta Shun Dher, Mr. Koh Chee Loong, Ms. Siew Y'nglyn and Aori Malaysia Sdn. Bhd. (the "**Target Company**"), the Subscriber has conditionally agreed to subscribe for and the Target Company 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 (the "**Subscription**") and the consideration of the Subscription was RM96,080 (equivalent to approximately HK$172,944).

Upon completion of the Subscription, the Subscriber will hold approximately 49% of the issued share capital of the Target Company as enlarged by the issue of the subscription shares. As such, the Target Company will become an associate of the Company and the financial results of the Target Company and Aori Pavillion Sdn. Bhd., a company incorporated in Malaysia which is wholly-owned by the Target Company, will not be consolidated into the accounts of the Group.

Save as disclosed above and in this announcement, the Group did not have any material acquisition nor disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

## CONTINGENT LIABILITIES

The Group has been served a number of litigations and claims filed in and brought forward from the year of 2021 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. No new litigation was filed against the Group during the year ended 31 December 2023.

## CAPITAL COMMITMENTS

As at 31 December 2023 and 31 December 2022, the Group did not have any significant capital commitments.

## DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2023.

## SIGNIFICANT INVESTMENTS HELD BY THE GROUP AND PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not hold any significant investments as at 31 December 2023 and 31 December 2022 or have other plans for material investments and capital assets as at the date of this report.

## DETAILS OF THE AUDIT MODIFICATION AND MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE AUDIT MODIFICATION

As disclosed in this annual report, given the conditions as detailed in the basis for disclaimer of opinion ("**Audit Modification**") and note 2 to the consolidated financial statements for the year ended 31 December 2023 therein, the auditor considered that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern, which is dependent on the successful and favourable outcome of certain plans and measures, that are subject to multiple uncertainties, including (a) the successful of improvement on its catering business and online sales business; and (b) the ability to obtain continuous financial support.

As at 31 December 2023, the Group's current liabilities exceeded its current assets by HK$14,340,000 (31 December 2022: HK$18,542,000), the Group's total liabilities exceeded its total assets by HK$8,269,000 (31 December 2022: HK$15,773,000) as of that date. As at 31 December 2023, the Group has cash and cash equivalents of HK$2,416,000 (2022: HK$1,179,000) which is insufficient to settle all the current liabilities, which includes lease liabilities of HK$2,425,000 (2022: HK$3,001,000), salary payables of HK$1,166,000 (2022: HK$3,320,000), accruals and other payables of HK$3,380,000 (2022: HK$9,212,000) and provisions of HK$150,000 (2022: HK$3,487,000).

The directors of the Company, based on a cash flow forecast of the Group covering a period up to 31 December 2024 (the "**Cash Flow Forecast**") which 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 consolidated financial statements. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 December 2023 on a going concern basis of accounting.

## ACTION PLAN OF THE GROUP TO ADDRESS THE AUDIT MODIFICATION AND IMPACT OF THE AUDIT MODIFICATION ON THE COMPANY'S FINANCIAL POSITION

In order to address the uncertainties which may cast doubt regarding the Group's ability to continue as a going concern, and with a view to removing the Audit Modification, the Company has taken and intends to continue to implement the measures, including but not limited to:

(i) 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 2023 and 2022, the management discontinued the operations of certain subsidiaries, to reduce the Group's liabilities and cash outflows.

(ii) During the year, the Company has started up its restaurants business thought its subsidiaries, SUSHI QUBEY Sdn Bhd ("**Sushi Qubey**") and SUSHI MEW Sdn Bhd ("**Sushi MEW**") in Malaysia, and have contributed of approximately of HK$2,726,000 to the Group's revenue.

(iii) The Group will continue to seek for alternative financing solutions and/or group re-organisation to turnround the difficulties encountered by the Group and the Company.

## REMOVAL OF THE AUDIT MODIFICATION

The management considered that the proposed actions mentioned above, if successful, could improve the Group's liquidity and therefore could help to address the Audit Qualification. However, as the management's assessment of the Group's ability to continue as a going concern for the purposes of preparing the Group's consolidated financial statements for the year ending 31 December 2023 has to take into consideration of the then conditions and circumstances and could only be made at the end of the relevant reporting period, the management is unable to ascertain at this moment whether the Audit Qualification can be removed in the next financial year purely based on the Company's action plan above.

## AUDIT AND RISK MANAGEMENT COMMITTEE'S VIEW ON THE AUDIT MODIFICATION

The audit and risk management committee of the Company (the "**Audit and Risk Management Committee**") had critically reviewed the Audit Qualification, the Cash Flow Forecast and also the management's position and action plan of the Group to address the Audit Qualification. In light of the above, the Audit Committee concurs with the management's view with respect to the Audit Qualification, the Group's ability to continue as a going concern and the actions or measures to be implemented by the Group. The Audit Committee is also of the view that the management should continue its efforts in implementing the actions and measures set out in the action plan with the intention of mitigating the Group's liquidity pressure and removing the Audit Qualification.

## PROSPECT

The catering industry in Hong Kong is facing a tough challenge amidst the continuous weakened market sentiment outbreak of COVID-19 since 2020 and starting to recover since early 2023. However, the pace of recovery of the food and beverage industry in Hong Kong was slower than that expected by the Group and thus the Group would still take attention to the operations and future expansion in Hong Kong. During the year ended 31 December 2023, the operations of restaurants and bar in Hong Kong performed below expectation which brought to the decrease in overall revenue. The change from loss to profit status was mainly attributed by the non-recurring disposal of discounted operations. The Group still recorded a loss on operation if the gain on de-consolidation was taken out.

Fortunately, the new businesses in the South-east Asia supported the revenue and overall operations. In view of the potentials in South-east Asia, where the demand in quality food and beverage is increasing while the rental expenses and staff costs are comparatively more competitive than that of Hong Kong, the Group started its restaurant business in Malaysia by subscription of new shares in a Japanese ramen restaurant and set up of new restaurants during the second half of year 2023. Although the operating period is still short, the results is positive and in the coming years, it would be an important strategy of the Group to sustain and at the same time to continuously explore new business possibilities in the South-east Asia, in order to maintain its market position and diversify and stabilize its source of income.

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 year ended 31 December 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 December 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.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix C1 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions under the CG Code throughout the year ended 31 December 2023 save for code provision C.2.1. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and performed by different individuals.

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 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 taking 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 CG 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.

## EMPLOYEES AND REMUNERATION POLICY

A remuneration committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance of the directors and senior management and comparable market practices.

As at 31 December 2023, the total number of full time and casual or part time employees of the Group was 25 (31 December 2022: 31). Total staff costs (including Directors' emoluments) were approximately HK$4.2 million for the year ended 31 December 2023 (year ended 31 December 2022: approximately HK$5.4 million).

Employees' remuneration is commensurate with their job nature, qualifications and experience. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. The Group continues to offer competitive remuneration packages and bonus to eligible staff, based on the performance of the Group and the individual employee.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 31 December 2023, none of the Directors or their respective close associates (as defined in the GEM Listing Rules) had engaged in or had any interest in any business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group and any other conflicts of interest, as required to be disclosed under Rule 11.04 of the GEM Listing Rules.

## REQUIRED STANDARD OF DEALINGS FOR SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.46 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings during the year ended 31 December 2023.

The Company has also adopted its own code of conduct regarding employees' securities transactions with reference to the required standard of dealings for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee had, together with the management and external auditor of the Company, reviewed the accounting principles and policies adopted by the Group and the consolidated financial statements for the year ended 31 December 2023.

## SCOPE OF WORK OF AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, D & PARTNERS CPA LIMITED, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by D & PARTNERS CPA LIMITED in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by D & PARTNERS CPA LIMITED on the preliminary announcement.

## EVENTS AFTER THE REPORTING PERIOD

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

## APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, business partners, and shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

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

Hong Kong, 28 March 2024

*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 will remain on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk "Latest Listed Company Information" page 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.hk.*