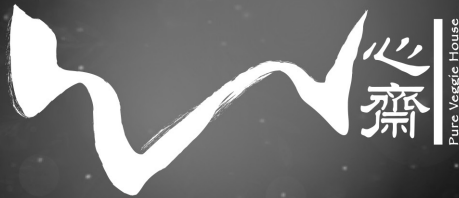


# Top Standard Corporation

(Incorporated in the Cayman Islands with limited liability)


Stock Code: 8510



RONIN  
JAPANESE CUISINE

三希樓  
*San Xi Lou*

2018  
INTERIM REPORT




## 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 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**”, together with its subsidiaries, the “**Group**”) 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.*



## FINANCIAL HIGHLIGHTS

During the six months ended 30 September 2018:

- the Group recorded unaudited revenue of approximately HK\$59.2 million (2017: HK\$48.5 million), representing an increase of approximately 22.1% as compared to the corresponding period ended 30 September 2017; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$15.2 million (2017: HK\$10.1 million).

During the three months ended 30 September 2018:

- the Group recorded unaudited revenue of approximately HK\$29.0 million (2017: HK\$25.9 million), representing an increase of 12.0% as compared to the corresponding period ended 30 September 2017; and
- the Group recorded an unaudited loss attributable to the owners of the Company of approximately HK\$9.0 million (2017: HK\$10.2 million).

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018 (UNAUDITED)

The Directors hereby report the unaudited condensed consolidated results of the Group for the three months and six months ended 30 September 2018, together with the unaudited comparative figures for the corresponding periods in 2017, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2018

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	29,018	25,881	59,178	48,489
Other income		69	–	114	1
Raw materials and consumables used		(10,612)	(7,015)	(21,382)	(12,866)
Staff costs		(12,093)	(8,820)	(24,337)	(17,102)
Depreciation		(1,835)	(1,262)	(3,600)	(2,470)
Rental and related expenses		(7,490)	(5,812)	(14,353)	(10,268)
Utilities expenses		(1,981)	(1,116)	(4,012)	(2,190)
Other expenses		(3,858)	(1,144)	(6,492)	(2,392)
Listing expenses		–	(10,290)	–	(10,290)
Finance costs	4	(201)	(138)	(338)	(257)
<b>Loss before taxation</b>		<b>(8,983)</b>	<b>(9,716)</b>	<b>(15,222)</b>	<b>(9,345)</b>
Income tax credit (expense)	5	6	(438)	–	(772)
<b>Loss and total comprehensive expense for the period</b>		<b>(8,977)</b>	<b>(10,154)</b>	<b>(15,222)</b>	<b>(10,117)</b>
<b>Loss and total comprehensive expense for the period attributable to owners of the Company</b>		<b>(8,977)</b>	<b>(10,154)</b>	<b>(15,222)</b>	<b>(10,117)</b>
<b>Loss per share</b>					
— basic (Hong Kong cents)		(1.12)	(1.69)	(1.90)	(1.69)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	<i>Notes</i>	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	As at 31 March 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property and equipment	8	22,573	23,092
Deposits	9	7,893	7,590
Deposits for acquisition of property and equipment	9	33	–
Deferred tax assets		432	432
		<b>30,931</b>	31,114
<b>Current assets</b>			
Inventories		710	648
Trade receivables, deposits and prepayments	9	18,350	4,688
Tax recoverable		1,151	559
Bank balances and cash		30,580	52,127
		<b>50,791</b>	58,022
<b>Current liabilities</b>			
Trade and other payables and accruals	11	13,602	16,294
Bank borrowings	12	32,266	21,740
Obligation under a finance lease		167	53
		<b>46,035</b>	38,087
<b>Net current assets</b>		<b>4,756</b>	19,935
<b>Total assets less current liabilities</b>		<b>35,687</b>	51,049

	<b>As at 30 September 2018 HK\$'000 (Unaudited)</b>	<b>As at 31 March 2018 HK\$'000 (Audited)</b>
<b>Notes</b>		
<b>Non-current liabilities</b>		
Obligation under a finance lease	–	140
Provisions	<b>960</b>	960
Deferred tax liabilities	<b>109</b>	109
	<b>1,069</b>	1,209
<b>Net assets</b>	<b>34,618</b>	49,840
<b>Capital and reserves</b>		
Share capital	<b>8,000</b>	8,000
Reserves	<b>26,618</b>	41,840
<b>Equity attributable to owners of the Company</b>	<b>34,618</b>	49,840

10

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Attributable to owners of the Company				
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Accumulated profits (losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2017 (Audited)	-	8,072	4,686	(1,256)	11,502
Loss and total comprehensive expenses for the period	-	-	-	(10,117)	(10,117)
Balance as at 30 September 2017 (Unaudited)	-	8,072	4,686	(11,373)	1,385
(Unaudited)					
Balance as at 1 April 2018 (Audited)	<b>8,000</b>	<b>60,304</b>	<b>4,686</b>	<b>(23,150)</b>	<b>49,840</b>
Loss and total comprehensive expenses for the period	-	-	-	(15,222)	(15,222)
Balance as at 30 September 2018 (Unaudited)	<b>8,000</b>	<b>60,304</b>	<b>4,686</b>	<b>(38,372)</b>	<b>34,618</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended 30 September 2018

	For the six months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
Notes		
<b>OPERATING ACTIVITIES</b>		
Loss before taxation	(15,222)	(9,345)
Adjustments for:		
Depreciation	3,600	2,470
Finance costs	338	257
Operating cash flows before movements in working capital	(11,284)	(6,618)
Increase (decrease) in inventories	(62)	25
Increase in trade receivables, deposits and prepayments	(13,956)	(11,970)
Increase (decrease) in amounts due from related parties/ former related parties	(9)	(3,827)
(Decrease) increase in trade and other payables and accruals	(2,779)	10,630
Increase (decrease) in amounts due to related parties	87	(504)
Cash used in operations	(28,003)	(12,264)
Hong Kong profits tax paid	(592)	(514)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(28,595)</b>	<b>(12,778)</b>
<b>INVESTING ACTIVITIES</b>		
Advance to related parties/ former related parties	–	(12,571)
Repayment from related parties/ former related parties	–	23,380
Deposits paid for acquisition of property and equipment	(33)	(5,610)
Purchases of property and equipment	(3,081)	(88)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(3,114)</b>	<b>5,111</b>



**For the  
six months ended  
30 September**

<i>Notes</i>	<b>2018 HK\$'000 (Unaudited)</b>	2017 HK\$'000 (Unaudited)
<b>FINANCING ACTIVITIES</b>		
Advance from related parties	–	1,287
Repayment to related parties	–	(2,182)
Repayment of obligation under finance lease	<b>(26)</b>	(23)
New borrowings raised	<b>19,109</b>	15,946
Repayment of bank borrowings	<b>(8,583)</b>	(7,069)
Interests paid	<b>(338)</b>	(257)
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>10,162</b>	7,702
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,547)</b>	35
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>52,127</b>	1,352
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>30,580</b>	1,387

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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 Company’s registered office and the principal place of business are 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands and 4th Floor, Coda Plaza, 51 Garden Road, Central, Hong Kong, respectively.

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 and its subsidiaries are principally engaged in operation of restaurants.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 September 2018 (the “**2018 Interim Financial Statements**”) have been prepared in accordance with the accounting principles generally accepted in Hong Kong which include Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of GEM Listing Rules.

The 2018 Interim Financial Statements should be read in conjunction with the annual audited consolidated financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

The 2018 Interim Financial Statements are presented in thousand of Hong Kong dollars (“**HK\$’000**”), which is also the functional currency of the Company.

Except as described below, the accounting policies and methods of computation used in the preparation of the 2018 Interim Financial Statements are consistent with those adopted in preparing the annual audited consolidated financial statements for the year ended 31 March 2018.

## 2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

In current period, the Group has applied the following new or revised Hong Kong Financial Reporting Standards (“**new HKFRSs**”) issued by the HKICPA which are or have become effective.

HKAS 28 (Amendment)	Investments in associates and joint ventures
HKAS 40 (Amendments)	Transfer of investment property
HKFRS 1 (Amendment)	First time adoption of HKFRS
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
HKFRS 9	Financial Instruments
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration

The application of these new HKFRSs in the current period has had no material effective on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in those condensed consolidated financial statements.

## 3 REVENUE AND SEGMENT INFORMATION

Revenue represents the fair value of amounts received and receivable from restaurant operations for services provided and food served and net of discount, and membership fee income from external customers for privileged services in the Group’s restaurants during the year. The Group’s revenue from external customers based on their nature is detailed below:

	<b>For the six months ended 30 September</b>	
	<b>2018 HK\$’000 (Unaudited)</b>	2017 HK\$’000 (Unaudited)
Catering service income (including services provided and food served)	<b>58,812</b>	48,131
Membership fee income	<b>366</b>	358
	<b>59,178</b>	<b>48,489</b>

The consolidated financial statements reported to the management of the Group, being the chief operating decision maker, 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’s operating and reportable segments are (i) Sichuanese and Cantonese cuisine under the brand of “San Xi Lou (三希樓)” (“**San Xi Lou**”); (ii) vegetarian cuisine under the brand of “Pure Veggie House (心齋)” (“**Pure Veggie House**”); (iii) Japanese cuisine located in Central, Hong Kong (“**Ronin Central**”); and (iv) Japanese cuisine located in Wanchai, Hong Kong (“**Ronin Wanchai**”).

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results

	San Xi Lou HK\$'000	Pure Veggie House HK\$'000	Ronin Central HK\$'000	Ronin Wanchai HK\$'000	Segment total HK\$'000	Eliminated HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30 September 2018</b>							
External revenue	42,869	6,222	5,379	4,707	59,178	–	59,178
Inter segment sales	–	–	–	–	–	–	–
<b>Total</b>	<b>42,869</b>	<b>6,222</b>	<b>5,379</b>	<b>4,707</b>	<b>59,178</b>	<b>–</b>	<b>59,178</b>
Segment results	(1,026)	293	(1,101)	(1,787)	(3,621)	–	(3,621)
Other income							114
Finance costs							(338)
Listing expense							–
Other expenses							(11,377)
Loss before taxation							(15,222)

	San Xi Lou HK\$'000	Pure Veggie House HK\$'000	Ronin Central HK\$'000	Ronin Wanchai HK\$'000	Segment total HK\$'000	Eliminated HK\$'000	Consolidated HK\$'000
<b>For the six months ended 30 September 2017</b>							
External revenue	27,436	7,077	5,991	7,985	49,489	–	48,489
Inter segment sales	1,344	–	–	–	1,344	(1,344)	–
<b>Total</b>	<b>28,780</b>	<b>7,077</b>	<b>5,991</b>	<b>7,985</b>	<b>49,833</b>	<b>(1,344)</b>	<b>48,489</b>
Segment results	5,623	1,246	(252)	170	6,787	–	6,787
Other income							1
Finance costs							(257)
Listing expense							(10,290)
Other expenses							(6,358)
Loss before taxation							(10,117)

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities

	San Xi Lou <i>HK\$'000</i>	Pure Veggie House <i>HK\$'000</i>	Ronin Central <i>HK\$'000</i>	Ronin Wanchai <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>As at 30 September 2018</b>					
<b>ASSETS</b>					
Segment assets	22,934	954	6,960	5,120	35,968
Unallocated property and equipment					43
Deferred tax assets					432
Unallocated prepayments					13,548
Tax recoverable					1,151
Bank balances and cash					30,580
Consolidated total assets					81,722
<b>LIABILITIES</b>					
Segment liabilities	9,709	1,073	750	869	12,401
Unallocated other payables and accruals					2,101
Bank borrowings					32,266
Obligation under finance lease					167
Unallocated provision					60
Deferred tax liabilities					109
Consolidated total liabilities					47,104

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment assets and liabilities (Continued)

	San Xi Lou HK\$'000	Pure Veggie House HK\$'000	Ronin Central HK\$'000	Ronin Wanchai HK\$'000	Consolidated HK\$'000
<b>As at 31 March 2017</b>					
<b>ASSETS</b>					
Segment assets	21,433	932	7,268	3,076	32,709
Unallocated property and equipment					50
Deferred tax assets					432
Unallocated prepayments					3,259
Tax recoverable					559
Bank balances and cash					52,127
Consolidated total assets					40,244
<b>LIABILITIES</b>					
Segment liabilities	10,585	912	982	813	13,292
Unallocated other payables and accruals					3,902
Bank borrowings					21,740
Obligation under finance lease					193
Unallocated provision					60
Deferred tax liabilities					109
Consolidated total liabilities					39,296

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments, other than certain property and equipment for corporate use, deferred tax assets, unallocated prepayments, tax recoverable, non-trade nature amounts due from related parties/former related parties and bank balances and cash.
- all liabilities are allocated to operating and reportable segments, other than tax payable, bank borrowings, obligation under finance lease, certain other payables and accruals, non-trade amounts due to related parties, unallocated provision and deferred tax liabilities.

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Other segment information

	San Xi Lou HK\$'000	Pure Veggie House HK\$'000	Ronin Central HK\$'000	Ronin Wanchai HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2018</b>							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions of property and equipment	230	–	89	2,762	3,081	–	3,081
Depreciation of property and equipment	1,804	77	1,044	668	3,593	7	3,600

	San Xi Lou HK\$'000	Pure Veggie House HK\$'000	Ronin Central HK\$'000	Ronin Wanchai HK\$'000	Total segment HK\$'000	Unallocated HK\$'000	Total HK\$'000
<b>For the six months ended 30 September 2017</b>							
Amounts included in the measure of segment profit (loss) or segment assets:							
Additions of property and equipment	27	36	–	25	88	–	88
Depreciation of property and equipment	678	146	1,056	583	2,463	7	2,470

#### Geographical information

No geographical segment information is presented as the Group's revenue is all derived from Hong Kong based on the location of goods delivered and services provided, and all of the Group's non-current assets are located in Hong Kong by physical location of assets.

#### Information about major customers

No individual customer accounted for over 10% of the Group's total revenue during each of the six months ended 30 September 2018 and 2017.

#### 4 FINANCE COSTS

	For the three months ended 30 September		For the six months ended 30 September	
	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)
The finance costs represent interest on:				
— Bank borrowings	198	135	333	250
— Obligation under finance lease	3	3	5	7
	<b>201</b>	138	<b>338</b>	257

#### 5 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the six months ended 30 September 2018.

#### 6 DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 September 2018 (2017: Nil).



## 7 LOSS PER SHARE

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	For the three months ended 30 September		For the six months ended 30 September	
	2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Loss attributable to owners of the company (HK\$'000)	(8,977)	(10,154)	(15,222)	(10,117)
Weighted average number of ordinary shares in issues (in thousands)	800,000	600,000	800,000	600,000
Basic and diluted losses per share (HK cents)	(1.12)	(1.69)	(1.90)	(1.69)

The number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the reorganisation and the capitalisation issue as described in note 10 has been effective on 1 April 2017.

No diluted loss per share information has been presented for the six months ended 30 September 2018 and 2017 as there were no potential ordinary shares outstanding during both periods.

## 8 PROPERTY AND EQUIPMENT

During the six months ended 30 September 2018, the Group acquired property and equipment at a cost of approximately HK\$3.1 million (2017: HK\$0.9 million).

## 9 TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade receivables	740	1,310
Deposits, prepayment and other receivables	26,128	10,968
	<hr/>	<hr/>
Total	26,868	12,278
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Non-current assets	7,926	7,590
Current assets	18,942	4,688
	<hr/>	<hr/>
	26,868	12,278
	<hr/>	<hr/>

The following is an ageing analysis of trade receivables presented based on the invoice date, which approximated the service rendered date, at the end of the reporting periods.

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
1 to 30 days	704	996
31 to 60 days	–	154
61 to 90 days	3	75
Over 90 days	33	85
	<hr/>	<hr/>
	740	1,310
	<hr/>	<hr/>

## 10 SHARE CAPITAL

	Number of shares of the Company	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
<b>Authorised:</b>			
At 1 April 2016 and 31 March 2017	38,000,000	380,000	380
Increase in authorised share capital	1,962,000,000	19,620,000	19,620
At 31 March 2018 and 30 September 2018	2,000,000,000	20,000,000	20,000
<b>Issued and fully paid:</b>			
At 1 April 2016	1	–	–
Issue of shares	9,999	100	–
At 31 March 2017	10,000	100	–
Capitalisation issue	599,990,000	5,999,900	6,000
Issue of shares	200,000,000	2,000,000	2,000
At 31 March 2018 and 30 September 2018	800,000,000	8,000,000	8,000

## 11 TRADE AND OTHER PAYABLES AND ACCRUALS

	At 30 September 2018 <i>HK\$'000</i> (Unaudited)	At 31 March 2018 <i>HK\$'000</i> (Audited)
Trade payables	3,090	3,526
Other payables and accruals	10,512	12,768
Total	13,602	16,294

## 11 TRADE AND OTHER PAYABLES AND ACCRUALS (CONTINUED)

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

	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)
1 to 30 days	3,090	2,563
31 to 60 days	–	829
61 to 90 days	–	109
Over 90 days	–	25
	<b>3,090</b>	<b>3,526</b>

## 12 BANK BORROWINGS

	At 30 September 2018 HK\$'000 (Unaudited)	At 31 March 2018 HK\$'000 (Audited)
Carrying amount (shown under current liabilities) that contains a repayment on demand clause based on scheduled repayment terms:		
— Within one year	32,266	21,740
— More than one year but not exceeding two years	–	–
	<b>32,266</b>	<b>21,740</b>

The bank borrowings are at floating rate which carry interest at HK\$ Best Lending Rate plus or minus a spread or Hong Kong Interbank Offered Rate (“HIBOR”) plus 2.5%. The effective interest rate on the Group’s bank borrowings ranged from 2.00% to 5.50% per annum as at 31 March 2018 and 30 September 2018.

As at 31 March 2018, bank borrowings of HK\$21,500,000 are unsecured and guaranteed by a group entity.

## 12 BANK BORROWINGS (CONTINUED)

Bank borrowings of HK\$240,000 as at 31 March 2018 are unsecured and guaranteed by a group entity. Subsequent to the end of the reporting period, the corporate guarantees have been released upon full settlement of the bank borrowings.

As at 30 September 2018, bank borrowings of HK\$22,266,000 are unsecured and guaranteed by a group entity. Bank borrowings of HK\$10,000,000 are secured and pledged by a fixed deposit of HK\$8,000,000 owned by Higher Top Limited, a wholly owned subsidiary of the Company.

## 13 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these unaudited condensed consolidated interim financial statements, the Group had the following transactions with related parties:

	For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Catering income from:		
— Mr. Stanley Chuk	102	251
— Mr. KY Chuk	20	151
	<b>122</b>	<b>402</b>
Advertising fee paid/payable to Darnassus Limited	63	84
Parking fee paid/payable to Darnassus Limited	239	705
Rental expenses paid/payable to Charm Region Limited	1,200	2,200

### 13 RELATED PARTY TRANSACTIONS (CONTINUED)

During the six months ended 30 September 2017, Mr. KY Chuk and Mr. Steve Chuk provided joint and several guarantees to fully guarantee the due observance and compliance of a tenancy agreement to the landlord. The guarantees by Mr. KY Chuk and Mr. Steve Chuk had been released in February 2018 and there was no guarantee provided by Mr. KY Chuk and Mr. Steve Chuk during the six months ended 30 September 2018.

#### Compensation of key management personnel

The remuneration of executive directors and other members of key management during the six months ended 30 September 2018 and 2017 were as follows:

	For the six months ended 30 September	
	2018 HK\$'000	2017 HK\$'000
Short-term benefits	900	–
Post-employment benefits	36	–
	<b>936</b>	–

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is a Hong Kong based restaurant group that offers Sichuanese and Cantonese, fusion vegetarian and Japanese cuisines under the “San Xi Lou (三希樓)”, “Pure Veggie House (心齋)” and “Ronin (浪人)” brands, respectively. The Group’s revenue for the six months ended 30 September 2018 was primarily derived from catering income through its restaurants.

For the six months ended 30 September 2018, the Group recorded an increase in revenue of approximately HK\$10.7 million, representing an increase of approximately 22.1%, from approximately HK\$48.5 million for the six months ended 30 September 2017 to approximately HK\$59.2 million for the six months ended 30 September 2018. Such increase was mainly due to the inclusion of revenue derived from the second Sichuanese and Cantonese restaurant of the Group under the “San Xi Lou (三希樓)” brand opened at Times Square in Causeway Bay (“**SXL Time Square**”) in November 2017.

On 13 February 2018 (the “**Listing Date**”), the shares of the Company (the “**Share**”) were successfully listed on GEM by way of public offer and placing (the “**Share Offer**”). After deducting all the relevant commissions and expenses borne by the Company, there were approximately HK\$42.3 million of net proceeds (the “**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, as updated in the Company’s announcement dated 9 October 2018. For details, please refer to the section headed “Use of Proceeds” in this report.

## FINANCIAL REVIEW

### Revenue

The Group’s revenue increased to approximately HK\$59.2 million for the six months ended 30 September 2018 from approximately HK\$48.5 million for the six months ended 30 September 2017, representing an increase of approximately 22.1%. Such increase in the Group’s revenue was mainly attributable to the inclusion of revenue derived from SXL Times Square.

## **Raw materials and consumables used**

The raw materials and consumables used increased to approximately HK\$21.4 million for the six months ended 30 September 2018 from approximately HK\$12.9 million for the six months ended 30 September 2017, representing an increase of approximately 65.9%, which was mainly due to the Group's increased purchases of raw materials and consumables since the opening of SXL Times Square. The Directors believed that such increase, which was not in proportion with the Group's revenue growth, was primarily due to a shift in customers' ordering preference.

## **Staff costs**

The Group's staff costs increased to approximately HK\$24.3 million for the six months ended 30 September 2018 from approximately HK\$17.1 million for the six months ended 30 September 2017, representing an increase of approximately 42.1%. Such increase in the Group's staff costs was mainly attributable to staff employed by SXL Times Square and a higher number of administrative and management personnel employed by the Group after the Shares became listed in February 2018.

## **Depreciation**

The Group's depreciation increased to approximately HK\$3.6 million for the six months ended 30 September 2018 from approximately HK\$2.5 million for the six months ended 30 September 2017, representing an increase of approximately 42.1%. The Group's depreciation increased primarily due to the additional depreciation charge incurred by the Group arising from leasehold improvement of SXL Times Square.

## **Rental and related expenses**

Rental and related expenses increased to approximately HK\$14.4 million for the six months ended 30 September 2018 from approximately HK\$10.3 million for the six months ended 30 September 2017, representing an increase of approximately 39.8%. Such increase in the Group's rental and related expenses was mainly due to the rental expense incurred on the premises for SXL Times Square after its commencement of business.



## Utilities expenses

The Group's utilities expenses increased to approximately HK\$4.0 million for the six months ended 30 September 2018 from approximately HK\$2.2 million for the six months ended 30 September 2017, representing an increase of approximately 81.8%. The Group's utilities expenses increased primarily due to the additional water, gas and electricity charges incurred by the Group arising from SXL Times Square.

## Other expenses

Other expenses increased to approximately HK\$6.5 million for the six months ended 30 September 2018 from approximately HK\$2.4 million for the six months ended 30 September 2017, representing an increase of approximately 170.8%. The main reason for the increase were the increase in professional and auditors' fees after the listing of the Company on GEM (the "Listing") in February 2018 and the increase in advertising and promotion expenses.

## Loss and total comprehensive expense

The Group recorded a loss and total comprehensive expense for the six months ended 30 September 2017 and 2018 of approximately HK\$10.1 million and HK\$15.2 million, respectively. The increase in the loss and total comprehensive expense of the Group of approximately HK\$5.1 million was mainly attributable to the factors discussed above.

## Basic loss per share

The Group's basic loss per share increased to approximately 1.90 HK cents for the six months ended 30 September 2018 from approximately 1.69 HK cents for the six months ended 30 September 2017, representing an increase of approximately 0.21 HK cents. Such change was in line with the increase in the loss and total comprehensive expense for the six months ended 30 September 2018.

## RESERVES

Movements in reserves of the Group for the six months ended 30 September 2018 are set out above in the unaudited condensed consolidated statement of changes in equity.

## COMPARISON OF BUSINESS STRATEGIES WITH ACTUAL BUSINESS PROGRESS

The following sets out a comparison of the business strategies as stated in the Prospectus with the Group's actual business progress up to 30 September 2018.

<b>Business strategies as stated in the Prospectus</b>	<b>Actual business progress up to 30 September 2018</b>
Opening new restaurants	The Group has taken over the operations of MJH TST (as defined below) and was preparing for its re-opening in October 2018. The Group was also offered a location for the new restaurant under the "Pure Veggie House (心齋)" brand in Taipei, Taiwan in June 2018 and was preparing for its opening.
Establishing a central kitchen	The Group commissioned a feasibility study report on establishing the central kitchen and was identifying suitable premises for the central kitchen.
Renovating our premises and upgrading our equipment	Refurbishment work of Ronin Wanchai was completed in July 2018.
Upgrading our information system	The Group is obtaining fee quotations for the upgrade of information system.
Strengthening our marketing efforts	The marketing work for strengthening the Group's brand awareness has commenced and will continue.

## USE OF PROCEEDS

The Company has been successfully listed of GEM on the Listing Date by the Share Offer of 200,000,000 Shares at the offer price of HK\$0.35 each. After deducting commissions and expenses borne by the Company in connection with the Share Offer, the Company had received the Net Proceeds in the amount of approximately HK\$42.3 million.

As at 30 September 2018, the Net Proceeds had been utilised as follows:

Uses	Net Proceeds	Amount	Balance
	allocated	utilised as at	as at
	HK\$ million	30 September 2018	30 September 2018
	HK\$ million	HK\$ million	HK\$ million
Establishing a central kitchen	16.0	–	16.0
Renovating our premises and upgrading our equipment	10.7	7.3	3.4
Establishing a new restaurant in Kowloon	8.9	–	8.9
Repayment of utilised banking facility	3.6	3.6	–
Strengthen our marketing efforts	1.0	1.0	–
Upgrading our information system	0.9	–	0.9
General working capital	1.2	1.2	–
	<b>42.3</b>	<b>13.1</b>	<b>29.2</b>

As at 30 September 2018, the Group has utilised the Net Proceeds of approximately HK\$13.1 million.

As mentioned in the announcement of the Company dated 9 October 2018, the Board had resolved that (i) part of the Net Proceeds that was originally intended for the establishment of a central kitchen in the amount of approximately HK\$10.0 million would be applied towards paying the set-up costs of the Group's new Sichuanese restaurant in Kowloon under the brand "Man Jiang Hong (滿江紅)" ("MJH TST"), and (ii) the Net Proceeds in the amount of approximately HK\$8.9 million that was originally intended for the establishment of a new restaurant under the "Pure Veggie House (心齋)" brand in Kowloon would be applied towards the Group's new restaurant under the same brand in Taipei, Taiwan ("PVH Taipei").

## **Reasons for the change in the use of proceeds**

### **Establishing a central kitchen**

As disclosed in the Prospectus, the Group intends to establish a central kitchen in Hong Kong. The Group had commissioned a feasibility study report on establishing the central kitchen, which included matters such as the production process, employee safety and training, project management aspects of the central kitchen, and financial benefits and potential risks to the Group for investing into the central kitchen. In view of the difficulties encountered by the Group in identifying suitable premises for the central kitchen and the possibility of being unable to identify suitable premises in the near future, and taking into consideration of the recent financial performance of the Group, the Board considers that the reallocation of some of the cash currently available from the Net Proceeds towards other developments of the Group would allow the Group to better utilise the idle cash and would be in the best interest of the Company and its shareholders.

The Group will continue to identify suitable premises for the central kitchen and the Board intends that the central kitchen to be established in the future will be funded by a combination of the remainder of the Net Proceeds (in the amount of approximately HK\$6.0 million) originally intended for the central kitchen together with internal resources of the Group and external financing, where necessary.

## New restaurant — Man Jiang Hong in Tsim Sha Tsui, Kowloon

As disclosed in the annual report of the Company for the year ended 31 March 2018 (the “**2018 Annual Report**”) and the first quarterly report of the Company for the three months ended 30 June 2018 (the “**2018 Q1 Report**”), the Group has taken over the operations of a Sichuanese restaurant under the brand “Man Jiang Hong (滿江紅)” located at G/F and 1/F, No. 27 Granville Road, Tsim Sha Tsui, Kowloon, Hong Kong. MJH TST was re-opened in October 2018.

The Board believes that by taking over the operations of MJH TST, the Group will be able to:

- expand the geographical coverage of its restaurant network in Hong Kong to the Kowloon Peninsula;
- target a customer group that is distinct from the Group’s San Xi Lou restaurant, namely value-conscious Sichuanese-cuisine customers. In addition, the Board believes that MJH TST is located in one of the busy shopping districts in Tsim Sha Tsui, has been in operation for a number of years and already has an established brand name and customer-base at its current location, and the Group will be able to retain at least part of its existing customer-base while attracting new customers to this newly renovated restaurant. The Board expects to be able to cross-market the Group’s other restaurants by conducting active promotions and by leveraging on the Top Standard membership scheme; and
- achieve a synergy effect with its existing Sichuanese restaurants operated under the brand “San Xi Lou (三希樓)” by achieving economy of scale in the Group’s procurements, and the Group’s management will be able to bring its extensive experience in Sichuanese cuisine into MJH TST to enhance its menu offerings.

On the other hand, the Board considers that the new revenue streams that will be derived from MJH TST would give the Group a better cash flow position and a driver for revenue growth, which the Board believes would enhance the value of the Company to its shareholders and also to the potential investors.

In view of the changing lifestyle trends, the image and brands of the Group and to offer a dining environment that is more appealing to the Group’s customers, the Board considers that the application of Net Proceeds in the amount of approximately HK\$10.0 million that was originally intended for establishment of a central kitchen towards the carrying out of a major renovation in MJH TST with an aim to upgrade its pre-existing image and investment in its marketing would bring a long-term benefit to the Group and to the “Man Jiang Hong (滿江紅)” brand.

## **New restaurant — Pure Veggie House in Taipei, Taiwan**

As disclosed in the 2018 Annual Report and the 2018 Q1 Report, the Group has been actively exploring opportunities in expanding its restaurant network. While no suitable venue has yet been identified in Hong Kong by the Group for our new Pure Veggie House restaurant, the Group was offered by the landlord of Breeze Nanshan Mall (微風南山), a new shopping mall located at No. 3, Songlian Road (松廉路), Xinyi District (信義區), Taipei, Taiwan, in June 2018 to open a new restaurant under the “Pure Veggie House (心齋)” brand. PVH Taipei is expected to open in late 2018 or early 2019.

The Board believes that the opening of PVH Taipei will bring the following benefits to the Group:

- the opening of PVH Taipei presents a business opportunity for the Group to expand its restaurant network overseas. The Board believes that this is a recognition of our “Pure Veggie House (心齋)” brand, and also presents an opportunity for the Group to diversify our revenue stream, to build up our brand and to expand our customer base internationally; and
- Breeze Nanshan Mall is located adjacent to the “Taipei 101/World Trade Center” metro station in Taipei, has its own carpark for its customers and is located within an upscale office and shopping district in Taipei. In addition, Breeze Nanshan Mall is also adjacent to a number of other large-scale major department stores. The Board believes that this location is an area with a high potential customer flow and is easily accessible to both pedestrians and vehicles.

The Board intends to apply Net Proceeds in the amount of approximately HK\$8.9 million that was originally intended for establishment of a new Pure Veggie House restaurant in Kowloon towards the establishment of PVH Taipei.

Save as above, the Board confirms that the uses of the Net Proceeds for the Company’s strategic plan as disclosed in the Prospectus remain unchanged.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2018, the Group had total assets of approximately HK\$81.7 million (31 March 2018: approximately HK\$89.1 million), which is financed by total liabilities and shareholders' equity (comprising share capital and reserves) of approximately HK\$47.1 million (31 March 2018: approximately HK\$39.3 million) and approximately HK\$34.6 million (31 March 2018: approximately HK\$49.8 million), respectively. The current ratio as at 30 September 2018 of the Group was approximately 1.1 times (31 March 2018: approximately 1.5 times).

As at 30 September 2018, the Group had bank balances and cash of approximately HK\$30.6 million (31 March 2018: approximately HK\$52.1 million). The total interest-bearing loan of the Group as at 30 September 2018 was approximately HK\$32.3 million (31 March 2018: approximately HK\$21.7 million). The gearing ratio (calculated based on interest bearing loan and the obligation under finance lease divided by total equity) of the Group as at 30 September 2018 was approximately 0.9 times (31 March 2018: approximately 0.4 times).

## FOREIGN EXCHANGE EXPOSURE

The Group operates in Hong Kong with majority of the transactions being settled in HKD. 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 transactions and monetary assets denominated in RMB are minimal for the six months ended 30 September 2017 and 2018, the Group considers there were no significant foreign exchange risks in respect of RMB for both periods.

## **CAPITAL STRUCTURE**

The Shares were successfully listed on GEM on the Listing Date. There has been no changes in the capital structure of the Group since then. The share capital of the Group comprises only ordinary shares.

As at 30 September 2018, the Company issued share capital was HK\$8,000,000 divided into 800,000,000 Shares of HK\$0.01 each.

## **BANK BORROWINGS**

As at 30 September 2018, the total bank borrowings of the Group, all of which were denominated in HKD, amounted to approximately HK\$32.3 million (31 March 2018: approximately HK\$21.7 million) and borne floating interest rates from 2.0% to 5.5% per annum as at 30 September 2018. No financial instrument was being used for interest rate hedging purpose.

Save as disclosed in this report, the Group did not have other bank borrowings for the six months ended 30 September 2018 (31 March 2018: nil).

## **PLEDGE OF ASSETS**

As at 30 September 2018, the Group's obligation under a finance lease was secured by the lessor's title to the leased asset, which had a carrying amount of approximately HK\$0.2 million. The Group has also pledged a fixed deposit of HK\$8.0 million to secure bank borrowings of HK\$10,000,000 (31 March 2018: approximately HK\$0.2 million).


## **COMMITMENTS**

The Group was committed to make future minimum lease payments under non-cancellable operating leases. The Group's operating lease commitments amounted to approximately HK\$42.2 million as at 30 September 2018 (31 March 2018: approximately HK\$42.3 million).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 September 2018, the total number of full time and casual or part time employees of the Group was 196 (31 March 2018: 229). Total staff costs (including Directors' emoluments) were approximately HK\$24.3 million for the six months ended 30 September 2018 (six months ended 30 September 2017: approximately HK\$17.1 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.

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

Save for the reorganisation of the Group in preparation for the Listing and the establishment of the certain subsidiaries wholly-owned for the operation of PVH Taipei and MJH TST, the Group did not have any material acquisition nor disposal of subsidiaries, associates or joint ventures during the six months ended 30 September 2017 and 2018.

## **CONTINGENT LIABILITIES**

As at 31 March 2018 and 30 September 2018, the Group had no significant contingent liabilities.

## **CAPITAL COMMITMENTS**

As at 31 March 2018 and 30 September 2018, the Group did not have any significant capital commitments.

## **DIVIDEND**

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2018.

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

Save as disclosed in this report, the Group did not hold any significant investments as at 31 March 2018 and 30 September 2018. Save as disclosed in this report and in the Prospectus, the Group does not have other plans for material investments and capital assets as at the date of this report.

## PRINCIPAL RISKS AND UNCERTAINTIES

The followings are the principal risks and uncertainties faced by the Group, which may materially and adversely affect its business, financial condition or results of operations:


1. During the six months ended 30 September 2018, all of the Group's revenue was generated in Hong Kong. If Hong Kong experiences any adverse economic condition due to events beyond our control, such as natural disasters, contagious disease outbreaks, terrorist attacks, a local economic downturn, mass civil disobedience movements or if the local authorities place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.
2. Rental expenses, cost of raw materials and consumables, staff cost and depreciation contributed majority of the Group's operating cost. The following factors are uncertain and may affect the cost control measures of the Group:
  - (i) The Group's business depends on reliable sources of large quantities of food ingredients such as seafood, vegetables and meat. The price of food ingredients may continue to rise or fluctuate.
  - (ii) Minimum wage requirements in Hong Kong was raised from HK\$32.5 per hour to HK\$34.5 per hour with effect from 1 May 2017, and may further increase and affect our staff costs in the future.
  - (iii) As at 30 September 2018, the Group leased all the properties for its restaurants operating in Hong Kong. Therefore, the Group is exposed to risks relating to the commercial real estate rental market, including unpredictable and potentially high occupancy costs.
3. If our expansion plan proves to be unsuccessful, our business and growth prospects may be adversely impacted.

## PROSPECT

The Shares were successfully listed on GEM on 13 February 2018. The Board considers that the Company's public listing status on the Stock Exchange allows the Company to access the capital market for corporate finance activities, which assists the Company in its future business development, enhances the Group's corporate profile and recognition, and strengthens the Group's competitiveness and increase revenue.

Further, we have completed the refurbishment work of the premises of our Japanese restaurant under the "Ronin (浪人)" brand located in Wanchai in July 2018.

The Group has recently increased its marketing efforts and has utilised part of its proceeds of Listing for this purpose. The Directors believe that the Group's marketing efforts will allow the Group to better compete in the increasingly competitive catering services industry, and also to increase the awareness by the public of the Group's brands and the new offerings of the Group's restaurants. We believe that in the long run, our brands will enhance our market position and enhance our Group's reputation. It is therefore important for us to promote our brands through strengthening our marketing efforts and opening new restaurants.



As mentioned in the Company's annual report for the year ended 31 March 2018, the Group is actively exploring opportunities in expanding its restaurant network. The Group has taken over the operations of MJH TST and re-opened this restaurant in October 2018, which targets middle-end and value-conscious customers. The Group believes that would bring positive impacts to the Group.

The Group is continuing its preparations to open a new restaurant under the "Pure Veggie House (心齋)" brand in Taipei, Taiwan, and the Group is in the process of finalising the location of the new restaurant. Subject to the entering into of a lease agreement for the new premises, the Directors expect the new restaurant will commence operations in or before the first quarter of 2019.

The Group is also looking for a suitable location in Hong Kong for the opening of a new restaurant under the "Pure Veggie House (心齋)" brand and also planning to re-locate some of its existing restaurants in Coda Plaza in Central to other location(s) in Hong Kong. Further announcements will be made by the Company in due course.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As at 30 September 2018, 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. Chuk Stanley ("Mr. Stanley Chuk")	Interest in controlled corporation (Note 1)	486,720,000	Long	60.84%
Mr. Chuk Kin Yuen ("Mr. KY Chuk")	Interest in controlled corporation (Note 2)	56,640,000	Long	7.08%

Notes:

- (1) 486,720,000 Shares were held by JSS Group Corporation ("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.
- (2) 56,640,000 Shares were held by J & W Group Limited ("J & W Group"), which is wholly owned by Mr. KY Chuk. As such, Mr. KY Chuk was deemed to be interested in all the shares held by J & W 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	Long	100%
Mr. KY Chuk	J & W Group	Beneficial owner	1	Long	100%

Save as disclosed above, as at 30 September 2018, 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 six months ended 30 September 2018 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 30 September 2018, 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 (%)
JSS Group	Beneficial owner	486,720,000	Long	60.84%
J & W Group	Beneficial owner	56,640,000	Long	7.08%
Mrs. Chuk Cheng Sau Mun, Winnie	Interest of spouse ( <i>Note 1</i> )	56,640,000	Long	7.08%
Oxlo Corporation (" <b>Oxlo</b> ")	Beneficial owner ( <i>Note 2</i> )	56,640,000	Long	7.08%
Mr. Chuk Chon Fai, Steve (" <b>Mr. Steve Chuk</b> ")	Interest in controlled corporation ( <i>Note 2</i> )	56,640,000	Long	7.08%

Notes:

- (1) Mrs. Chuk Cheng Sau Mun, Winnie, being the spouse of Mr. KY Chuk, was deemed to be interested in the same number of Shares held by Mr. KY Chuk.
- (2) 56,640,000 Shares were held by Oxlo, which is wholly owned by Mr. Steve Chuk. As such, Mr. Steve Chuk was deemed to be interested in all the Shares held by Oxlo pursuant to Part XV of the SFO.



Save as disclosed above, as at 30 September 2018, 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 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 six months ended 30 September 2018, 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 six months ended 30 September 2018.

## **COMPETING INTERESTS**

As at 30 September 2018, 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.

## **COMPLIANCE ADVISER'S INTEREST**

As at the date of this report, CLC International Limited (“**CLC**”), the compliance adviser of the Company, has confirmed that except for the compliance adviser agreement entered into between the Company and CLC dated 30 January 2018, neither CLC nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 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 six months ended 30 September 2018.

## 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 A.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 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 A.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 C.3.3 of the Corporate Governance Code. The Audit and Risk Management Committee currently consists of three independent non-executive Directors, namely Ms. Chian Yat Ping, as the chairman of the Audit and Risk Management Committee, Mr. Yew Tak Yun, Paul and Mr. Chan Kwok Ki, Stephen. 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 C.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 interim results for the six months ended 30 September 2018 of the Group and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company and the requirements of the Stock Exchange, and adequate disclosure had been made.



## EVENTS AFTER THE REPORTING PERIOD

Save as described in this report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 September 2018 and up to the date of this report.

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

Hong Kong, 9 November 2018

*As at the date of this report, the executive Directors are Mr. Chuk Stanley, Mr. Lam Ka Wong, Johnson and Mr. Chuk Kin Yuen; and the independent non-executive Directors are Ms. Chian Yat Ping, Mr. Yew Tak Yun, Paul and Mr. Chan Kwok Ki, Stephen.*