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Top Standard Corporation

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8510)

DISCLOSEABLE TRANSACTION IN RELATION TO DISPOSAL OF A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that on 3 July 2020 (after trading hours), Skyreach Investment, a wholly-owned subsidiary of the Company, as the vendor and the Purchaser, an independent third party to the Group, as the purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$1.

Upon Completion, the Group will cease to hold any interest in the Target Company, and the Target Company will cease to be the subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the consolidated financial statements of the Company.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

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The Board is pleased to announce that on 3 July 2020 (after trading hours), Skyreach Investment, a wholly-owned subsidiary of the Company, as the vendor and the Purchaser, an independent third party to the Group, as the purchaser entered into the Sale and Purchase Agreement, pursuant to which the Company conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at the Consideration of HK\$1.

THE SALE AND PURCHASE AGREEMENT

Date: 3 July 2020 (after trading hours)

Parties: (1) Skyreach Investment, as vendor; and

(2) Southern Star Limited, as purchaser.

The Vendor is a limited liability company established in the British Virgin Islands and the direct wholly-owned subsidiary of the Company. Before Completion, the Vendor is the registered holder of 100% of the issued capital of the Target Company.

The Purchaser is a limited liability company established in Hong Kong and principally engaged in trading business. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is beneficially and owned by Ms. Lam Yuk Ling, each of the Purchaser and its respective ultimate beneficial owner is an independent third party.

Assets to be disposed

Before Completion, the Target Company has a registered capital of US\$1 which is owned as to 100% by the Vendor.

Pursuant to the Sale and Purchase Agreement, the Vendor has agreed to dispose and the Purchaser has agreed to acquire the Sale Capital, representing the entire equity interest in the Target Company.

Consideration

The aggregate Consideration for the sale and purchase of the Sale Shares was HK\$1, which has been paid by the Purchaser to the Company in cash at Completion.

The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser on normal commercial terms by taking into account (i) the net liability of HK\$6.8 million of the Target Company as of 31 March 2020; and (ii) the reasons for the Disposal as discussed in the paragraph headed "REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT" in this announcement.

Having considered the above factors, the Directors (including the independent non-executive Directors) consider that the Consideration, which was arrived at after arm's length negotiations, is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Completion

Completion has taken place immediately after the execution of the Sale and Purchase Agreement. Upon Completion, the Target Group will cease to be the subsidiaries of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is incorporated in the British Virgin Islands with limited liability and principally engaged in the operation of our restaurant under the "Pure Veggie House" brand in Taiwan.

Set out below is certain financial information of the Target Company, as extracted from the audited financial statements of the Target Company for the financial years ended 31 March 2019 and 31 March 2020 which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"):

	For the year ended 31 March	
	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net (loss) before taxation	(1,242)	(15,450)
Net (loss) after taxation	(1,242)	(15,450)

Based on the audited financial statements of the Target Company as at 31 March 2020 prepared in accordance with HKFRS, the unaudited net liability value of the Target Company as at 31 March 2020 amounted to approximately HK\$6.8 million.

REASONS FOR AND BENEFITS OF THE SALE AND PURCHASE AGREEMENT

The Company noticed that the restaurant under the Target Company suffered net loss during the financial year ended 31 March 2019, and their operating results had further deteriorated since the recent outbreak of the coronavirus (COVID-19) pandemic (the “**Pandemic**”). The management also noted that even if the Company chooses to close or suspend operations of the restaurant under the Target Company to save costs, the Target Company would still incur costs arising from its existing contractual obligations such as rental expenses.

In order to minimize the negative impact of the Pandemic on the operation and financial performance of the Group, the Company intends to further reduce costs and streamline its operations given the Target Company as a whole are not profit making and to alleviate cash outflow pressure by disposing the Target Company to the Purchaser such that the Group can focus its available financial resources on the development of its other existing restaurants and businesses.

In view of the above, the Directors consider that the terms of the Disposal are on normal commercial terms and fair and reasonable, and the Disposal and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Based on the preliminary assessment on the audited financial statement of the Target Company, the Group will record a gain (net of related expenses) of approximately HK\$6.8 million as a result of the Disposal which is calculated by reference to the net liability of the Target Company. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the auditors of the Company upon Completion. It is expected that there will not be any net proceeds from Disposal taking into account of the related expenses (including legal expenses) for the Disposal.

GEM LISTING RULES IMPLICATIONS

As certain of the applicable percentage ratios (as defined under Rule 19.07 of the GEM Listing Rules) in relation to the Disposal are more than 5% but all of them are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Board”	the board of Directors
“Company”	Top Standard Corporation, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the GEM (Stock Code: 8510)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser contemplated under the Sale and Purchase Agreement
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Purchaser”	Southern Star Limited (南星有限公司), a company incorporated in Hong Kong with limited liability

“Sale and Purchase Agreement”	the sale and purchase agreement dated 3 July 2020 entered into among the Vendor and the Purchaser in relation to the Disposal
“Sale Shares”	1 ordinary share in the capital of the Target Company, representing its entire issued share capital held by Skyreach Investment
“Share(s)”	ordinary share(s) HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Skyreach Investment”	Skyreach Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Dalaran Group Limited, a company established in the British Virgin Islands with limited liability and the entire issued share capital of which is legally and beneficially owned by Skyreach Investment prior to the entering into of the Sale and Purchase Agreement
“US\$”	United States dollars, the lawful currency of the United States
“Vendor”	Skyreach Investment
“%”	per cent.

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

Hong Kong, 3 July 2020

As at the date of this announcement, the executive Directors are Mr. Chuk Stanley, Mr. Lam Ka Wong, Johnson, Mr. Chuk Kin Yuen and Dr. Chen Liang, and the independent non-executive Directors are Mr. Wong Ching Wan, Mr. Yew Tak Yun, Paul and Mr. Chan Kwok Ki, Stephen.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website of The Stock Exchange of Hong Kong Limited at <http://www.hkgem.com> and The Stock Exchange of Hong Kong Limited's website 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.com.hk.