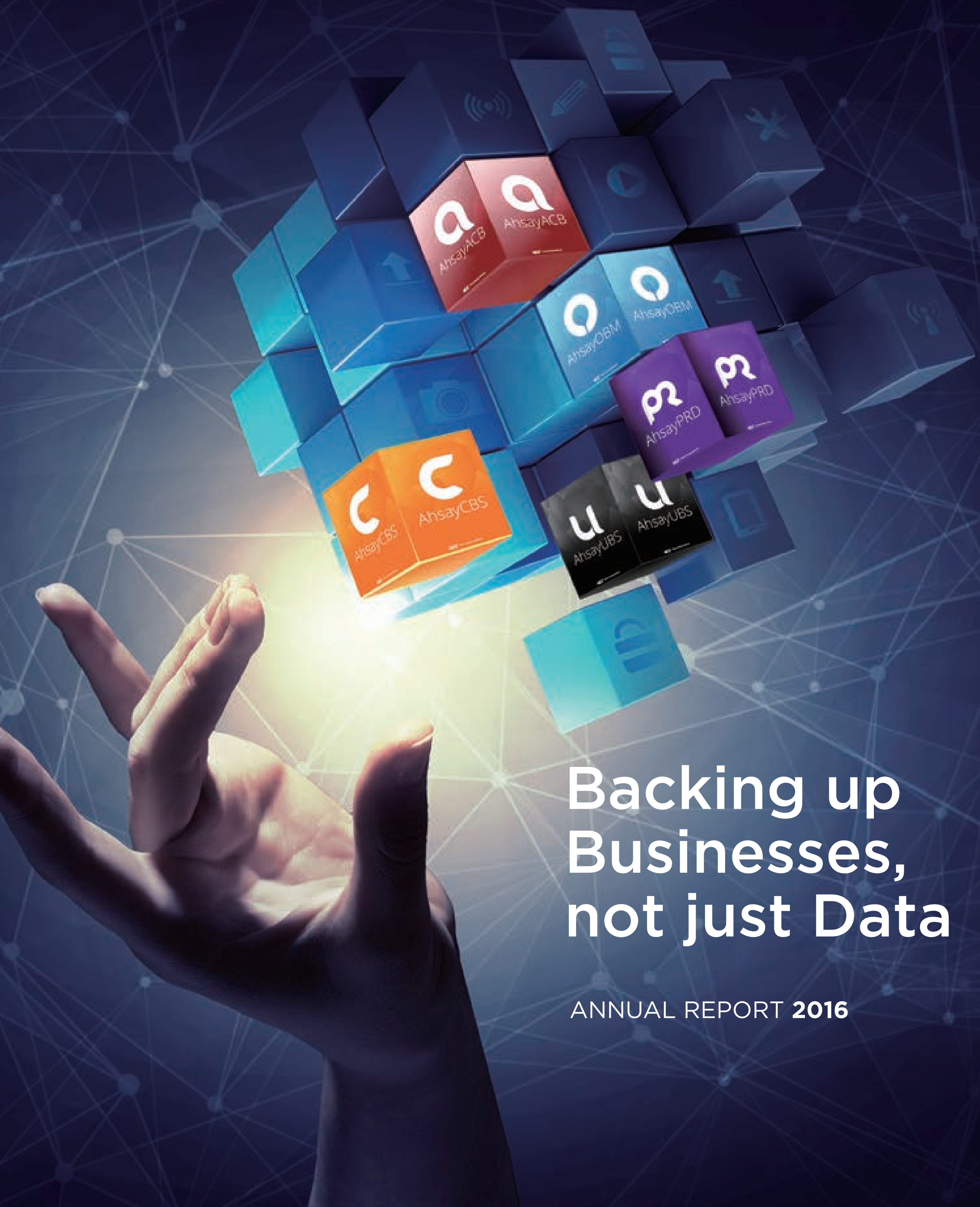
Ahsay Backup Software Development Company Limited
亞勢備份軟件開發有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8290



Backing up Businesses, not just Data

ANNUAL REPORT **2016**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Chong King Fan *(Chairman)*
Mr. Chong Siu Pui *(Chief Executive Officer)*
Mr. Chong Siu Ning *(Vice Chairman)*
Ms. Chong Siu Fan

Independent Non-Executive Directors
Mr. Wong Cho Kei Bonnie
Ms. Wong Pui Man
Mr. Wong Yau Sing

AUDIT COMMITTEE

Mr. Wong Yau Sing *(Chairman)*
Mr. Wong Cho Kei Bonnie
Ms. Wong Pui Man

REMUNERATION COMMITTEE

Ms. Wong Pui Man *(Chairman)*
Mr. Wong Cho Kei Bonnie
Mr. Wong Yau Sing

NOMINATION COMMITTEE

Mr. Wong Cho Kei Bonnie *(Chairman)*
Ms. Wong Pui Man
Mr. Wong Yau Sing

RISK MANAGEMENT COMMITTEE

Mr. Chong Siu Pui *(Chairman)*
Mr. Wong Cho Kei Bonnie
Ms. Wong Pui Man

AUTHORISED REPRESENTATIVES

Mr. Chong Siu Pui
Mr. Chong Kam Fung

COMPANY SECRETARY

Mr. Chong Kam Fung *(FCPA)*

COMPLIANCE OFFICER

Mr. Chong Siu Pui *(FCCA, FCPA, FCPA (Aust.))*

REGISTERED OFFICE

Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28/F, Ford Glory Plaza
No. 37 Wing Hong Street
Lai Chi Kok
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Corporate Information

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Chong Hing Bank Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

CFN Lawyers in association with Broad & Bright
(as to Hong Kong law)

COMPLIANCE ADVISER

VBG Capital Limited

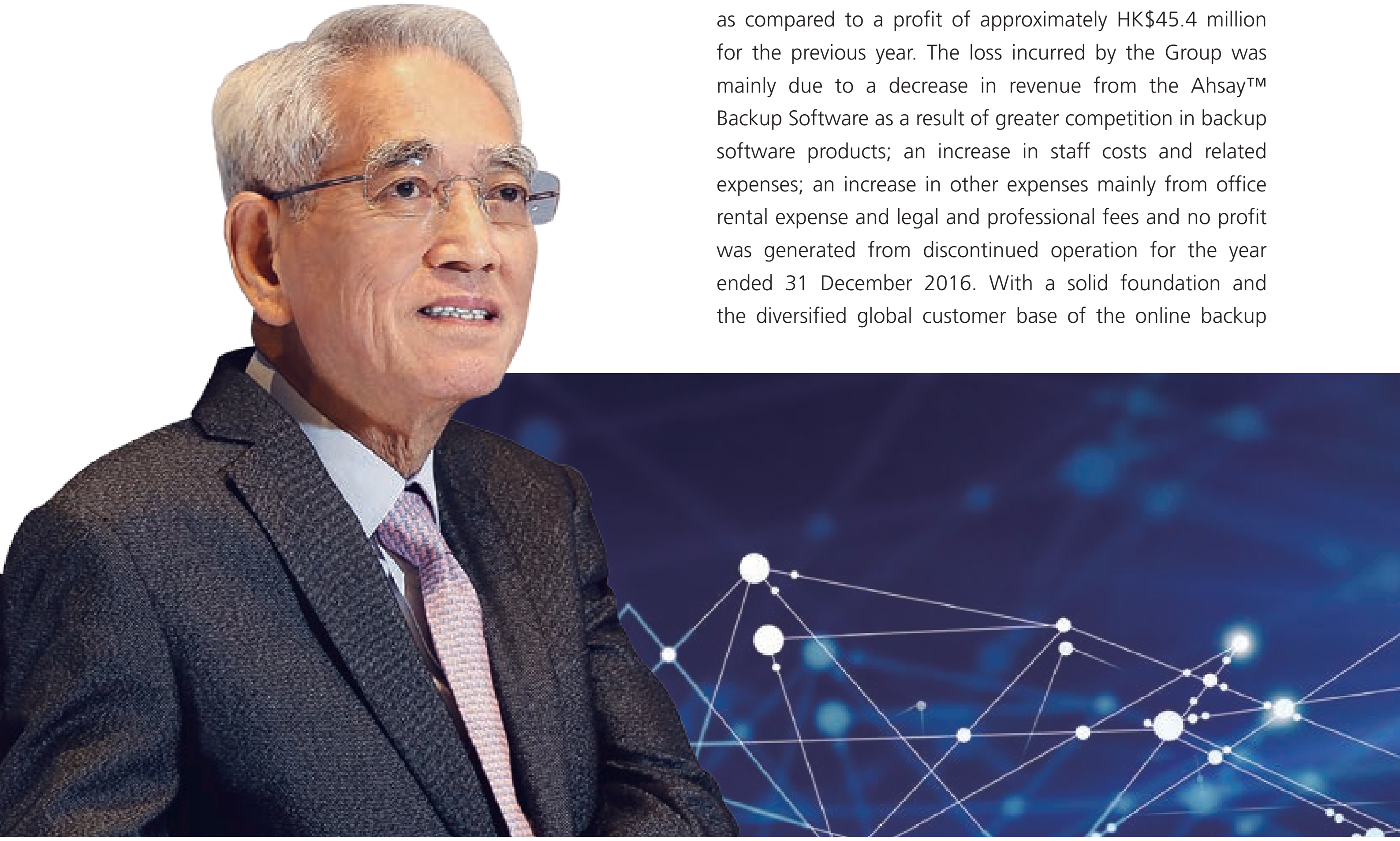
STOCK CODE

8290

WEBSITE

www.ahsay.com.hk

Chairman's Statement



Dear Shareholders,

On behalf of the board of directors (the "Board") of Ahsay Backup Software Development Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016.

For the year ended 31 December 2016, the Group has recorded a total revenue of approximately HK$54.9 million, representing a decrease of approximately 4.2% as compared to approximately HK$57.3 million for the year ended 31 December 2015. The Group recorded a loss of approximately HK$11.1 million for the year ended 31 December 2016 as compared to a profit of approximately HK$45.4 million for the previous year. The loss incurred by the Group was mainly due to a decrease in revenue from the Ahsay™ Backup Software as a result of greater competition in backup software products; an increase in staff costs and related expenses; an increase in other expenses mainly from office rental expense and legal and professional fees and no profit was generated from discontinued operation for the year ended 31 December 2016. With a solid foundation and the diversified global customer base of the online backup software business, we remain positive about the long-term development of the Group after increasing the investment in development capacity since the Company became listed on GEM of the Stock Exchange on 8 October 2015 (the "Listing").

While the Group continued to improve the quality of products and support services during the year, the Board also identified opportunities for developing an online smartphone platform (the "Platform") to diversify the business scope of the Group. The Platform has been officially launched in December 2016 and it is used as a tool to share information between the information providers and the subscribers through an internet website and mobile phone applications.

Chairman's Statement

During the year ended 31 December 2016, we have recruited additional talents in order to strengthen our software development capabilities and improve customer services as well as to develop the Platform. The number of employees significantly increased by approximately 80.6% from 62 as at 31 December 2015 to 112 as at 31 December 2016. This has led to the staff cost and related expenses rising substantially by approximately HK$9.8 million or 25.7% during the year ended 31 December 2016. With the expansion of the team

and the on-going efforts of our experienced management team during the year, we believe that the Group has sufficient resources to enhance the competitiveness of our core products in the future.

Upon the Listing of the Company, the Group has a stronger financial and liquidity position. The Group is continuing its focus on its core business and utilising its available resources to engage in its current business. The Group is also exploring business opportunities associated with its core business, such as introduction of new products, selective acquisition and partnership as well as proactively seeking new business opportunities in order to strengthen its revenue base and maximise both returns to shareholders (the "Shareholders") and the value of the Company.

Last but not least, on behalf of the Board, I would like to express my sincere gratitude to all customers, Shareholders, business partners, management team and staff members for their continuous support and contributions to the Group during the year. I look forward to leading the Group to strive for better results and to increase value of our shareholders.

Chong King Fan
Chairman

Hong Kong
17 March 2017

Management Discussion and Analysis

Reorganisation and Listing of the Company's Shares

The Company was incorporated in the Cayman Islands on 10 April 2015 as an exempted company with limited liability. In preparation for the listing (the "Listing") of the ordinary shares of HK$0.01 each of the Company on GEM of the Stock Exchange by way of placing (the "Placing") of 500,000,000 Shares at a placing price of HK$0.2 per Share, the Group underwent a corporate reorganisation (the "Reorganisation") in 2015. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 25 September 2015 (the "Prospectus").

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from the date of Listing to 31 December 2016 is set out below:

Business strategy	Business objectives for the period since the date of Listing up to 31 December 2016 ("Review Period")	Actual business progress during the Review Period
Strengthen our software development capabilities	Expand research and development team ("R & D team") by approximately 15 staff members with diplomas or higher education degrees in computer science or IT related disciplines, who processes 3 to 5 years of solid programming experience in Java language preferably with solid knowledge of Windows, Linux and Mac operating systems, database management systems (such as MS-SQL, Oracle and MySQL) and other applications (such as Lotus Domino, VMware and Hyper-V)	About 20 additional R & D staff members were recruited with relevant qualification during the Review Period.
	Conduct research and development to improve product features of our Ahsay™ Backup Software	The Group has conducted research and development to improve product features of our Ahsay™ Backup Software during the Review Period.
	Review the remuneration package of existing members of R & D team and candidates who will join the team	The Group has reviewed the remuneration package of existing members of the R & D team and candidates who will join the team and the new remuneration package became effective on 1 January 2016.

Management Discussion and Analysis

Business strategy	Business objectives for the period since the date of Listing up to 31 December 2016 ("Review Period")	Actual business progress during the Review Period
Broaden our customer base	Place advertisements in magazines in the IT industry	The Group has placed advertisements in a magazine (i.e. PC Market) during the Review Period.
	Participate in exhibitions in the IT industry	The Group is in the process of identifying exhibitions in the IT industry to participate.
	Increase our exposure on various online search platforms	The Group has paid various online search platforms (i.e. Google AdWords and Bing Ads) to increase exposure during the Review Period.
Pursue selective acquisition and partnership	Search and identify potential acquisition and partnership targets	The Group is in the process of identifying potential acquisition and partnership targets.
	Documentation and due diligence works	
	Review the backgrounds and financials of potential target(s)	
	Engage professional parties to conduct additional due diligence works on the potential target(s) and provide advice to the Group	

Management Discussion and Analysis

Use of Proceeds

Reference is made to the Prospectus in relation to the Placing for the Listing. Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the Prospectus. As stated in the section headed "Business Objectives and Future Plans" in the Prospectus, among the net proceeds of approximately HK$77.3 million from the Placing, the Group originally intended to apply the net proceeds in the manner as follows:

- approximately HK$11.1 million for strengthening our software development capabilities;
- approximately HK$7.9 million for broadening our customer base;
- approximately HK$50.6 million for pursuing selective acquisition and partnership; and
- approximately HK$7.7 million for working capital and other general corporate purpose.

The net proceeds from the Placing after deducting the underwriting commission and actual expenses were approximately HK$77.2 million. Accordingly, the Group has applied the use of proceeds in the same manner and proportion as shown in the Prospectus.

As at the date of this report, the net proceeds of approximately HK$50.6 million allocated for pursuing selective acquisition and partnership has not been utilised by the Group due to the lack of potential acquisition and partnership targets.

As announced on 17 March 2017, the Board has resolved to change the use of net proceeds from the Listing. In order to enhance the allocation of the financial resources and to cope with the continuing development of other businesses of the Group in order to maximise its investment returns, the Board has resolved to change the use of approximately HK$26.2 million originally allocated for pursuing selective acquisition and partnership (the "Unutilised Net Proceeds") as follows:

(i) approximately HK$7.7 million for working capital and other general corporate purpose;

(ii) approximately HK$10.0 million for the development and marketing activities of the Platform which is designed to provide information sharing service in Hong Kong. For more details on the Platform, please refer to the announcement of the Company dated 28 July 2016; and

(iii) approximately HK$8.5 million for the repayment of bank borrowing.

Management Discussion and Analysis

The revised use of net proceeds from the Placing is set out as follows:

Use of proceeds	Original use of net proceeds HK$'000	As at 31 December 2016 Utilised HK$'000	As at 31 December 2016 Unutilised HK$'000	Revised use of net proceeds HK$'000	Revised unutilised proceeds HK$'000
1. Strengthen our software development capabilities	11,040	2,979	8,061	11,040	8,061
2. Broaden our customer base	7,874	3,988	3,886	7,874	3,886
3. Pursue selective acquisition and partnership	50,566	–	50,566	24,361	24,361
4. Working capital and other general corporate purpose	7,720	7,720	–	15,440	7,720
5. Development and marketing activities of the Platform	–	–	–	10,000	10,000
6. Repayment of bank borrowing	–	–	–	8,485	8,485
Total	77,200	14,687	62,513	77,200	62,513

Save for the aforesaid changes, there is no other change of use of proceeds from the Placing allocated for other purposes as disclosed in the Prospectus.

The Board has considered the impact of the above changes in the use of net proceeds raised from the Listing and is of the view that the change in the use of net proceeds will enable the Group to meet its overall financial needs more efficiently resulting from the latest development of the Group's operation and business. The Board considers that such changes in the use of net proceeds will not adversely affect the operation and business of the Group and is in the best interests of the Company and its Shareholders as a whole.

Business Review

The Group is an online backup software developer based in Hong Kong, which focuses on providing self-developed backup software products and services to customers. Developed in Hong Kong, the Group's backup software products are equipped with multi-lingual, multi-platform and multi-application features built-in. One of the Group's backup software products, the Ahsay™ Backup Software, supports more than 30 languages and dialects, and can be used on various platforms and with different software applications.

Data has become a new essential resource for businesses. The global backup software market and demand of small and medium-sized enterprises ("SMEs") for backup software products are expected to steadily increase in coming years. As one of the market leaders in providing online backup software solutions to SMEs worldwide, the Group plans to increase its market share in the backup software sector by focusing on improving products and services, particularly those which support both private and public cloud technology.

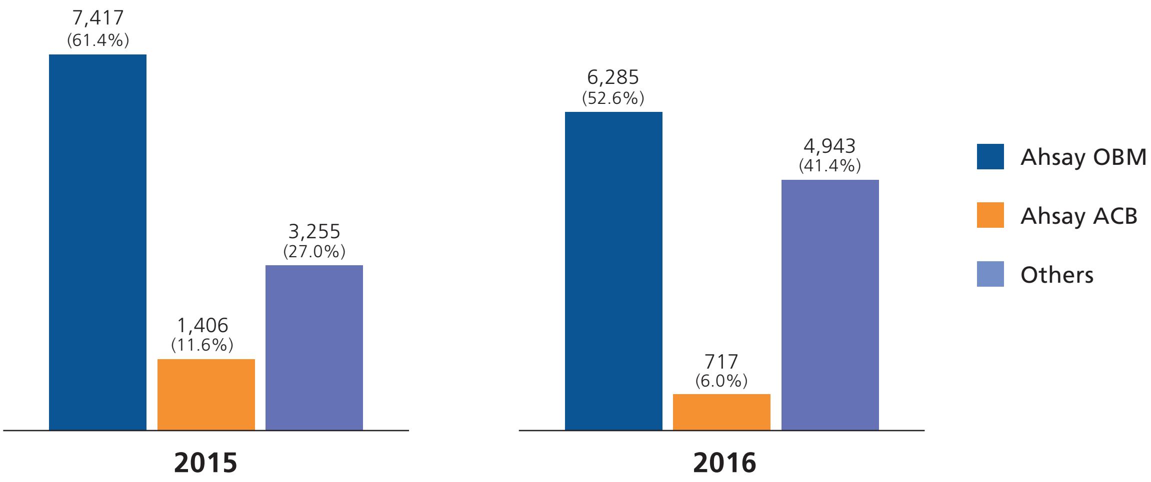
Management Discussion and Analysis

The revenue of the Group decreased by approximately HK$2.4 million or 4.2% from approximately HK$57.3 million for the year ended 31 December 2015 to approximately HK$54.9 million for the year ended 31 December 2016.

For the year ended 31 December 2016, Ahsay Online Backup Manager ("Ahsay OBM") and Ahsay A-Click Backup ("Ahsay ACB"), which are core components of Ahsay™ Backup Software, in aggregation accounted for approximately 77.1% of the revenue from software license sales and leasing of the Group. The following graphs show a breakdown of the revenue from software license sales and leasing of the Group for the year ended 31 December 2015 and 2016 respectively:

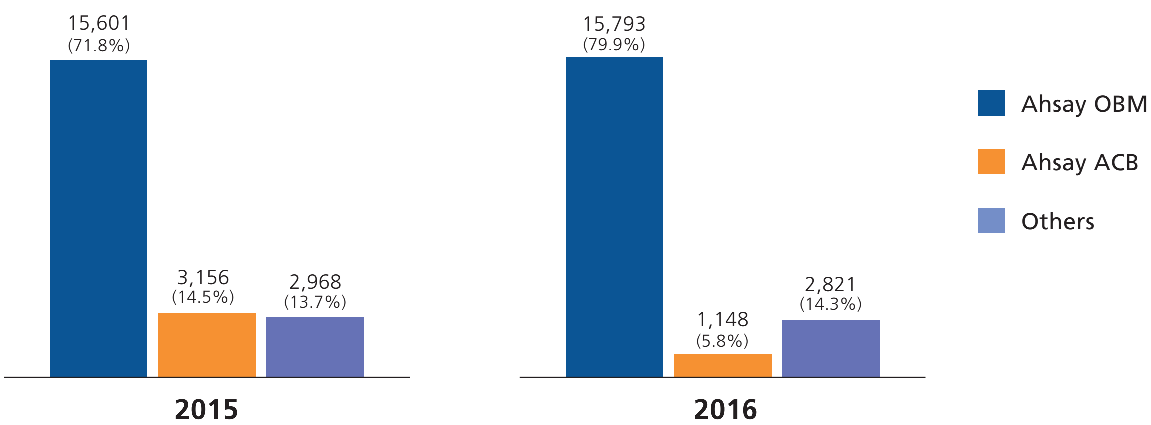
i) Revenue by software license sales

(HK$'000)



ii) Revenue by software license leasing

(HK$'000)



Management Discussion and Analysis

For the year ended 31 December 2016, the number of license sales of Ahsay OBM was 20,793 as compared with 32,502 of the corresponding period in 2015, which represented a decrease of approximately 36.0%. This was mainly due to the average price per unit increased by approximately HK$74.1 or 32.5% from approximately HK$228.2 per unit in 2015 to approximately HK$302.3 per unit in 2016 as a result of the lesser extent of promotional discount offered to customers during the year.

For the year ended 31 December 2016, the number of license sales of Ahsay ACB was 8,041 as compared with 9,683 of the corresponding period in 2015, representing a decrease of approximately 17.0%. This was mainly due to the bulk purchase of Ahsay ACB from a new customer in South Africa during the year ended 31 December 2015.

For the year ended 31 December 2016, the monthly sum of license leasing for Ahsay OBM was 331,301 as compared with 368,658 of the corresponding period in 2015, representing a decrease of approximately 10.1%. This was mainly due to the average unit price per month increased by approximately HK$5.4 or 12.8% from approximately HK$42.3 in 2015 to approximately HK$47.7 in 2016 as a result of the unit price per month of Ahsay OBM leasing has been increased since December 2015.

For the year ended 31 December 2016, the monthly sum of license leasing for Ahsay ACB was 164,575 as compared with 163,768 of the corresponding period in 2015, representing an increase of approximately 0.5%. However, the average unit price per month decreased by approximately HK$12.3 or 63.7% from approximately HK$19.3 in 2015 to approximately HK$7.0 in 2016 as a result of price reduction in order to drive the market acceptance and to boost the adoption rate of version 7 of Ahsay™ Backup Software.

Currently, a significant portion of the Group's backup software products and (software upgrading and maintenance) services are mainly sold or leased or ordered by customers via the Group's sales websites. In order to drive growth of its backup business worldwide, the Group has started to expand its distribution channels to help it secure more customers. Since the second quarter of 2016, the Group has been strategically expanding its market share in Asia Pacific. Ahsay Systems Corporation Limited ("Ahsay HK"), an indirect wholly-owned subsidiary of the Company, signed a distribution agreement with eSTORAGE Technology Corp.* (資享科技股份有限公司), a company incorporated in Taiwan, the Republic of China and HM SYSTEMS CO., LTD., a company incorporated in the Republic of Korea, in April 2016 and June 2016, respectively. The appointment of distributors has enabled the Group to actively reach and support potential clients in various markets.

Facing keen competition in the global backup software market, the Group will continue to uphold the principle of "customer-orientation" in operating its businesses. It will focus on product development and refinement, as well as offering superior customer services to cater for the changing market needs. Appropriate adjustments will be made to ensure products in good quality and value added services are available to customers at all times. The Group believes that such efforts can help it strengthen customer relationship and will ultimately improve competitiveness.

Principal Risks and Uncertainties

– The Group derived substantially all of its revenue from software license sales and leasing and software upgrades and maintenance services from Ahsay™ Backup Software for the year ended 31 December 2016. Any failure to continuously maintain or enhance the performance of Ahsay™ Backup Software and end-user experience and launch high-quality new software could materially and adversely affect the business and results of operations.

Management Discussion and Analysis

- The performance of the Group relies heavily on its key executives. The business may be adversely affected if they or any of them cease to serve the Group in the future and it fails to find suitable replacements.
- The Group may be unable to attract or retain skilled staff. Any shortfall in skilled workforce or increase in staff costs may materially and adversely affect its business operations and financial performance, and the Group may not be able to effectively execute the business strategies to drive growth.
- Any failure to protect the intellectual property rights of the Group could reduce the value of the products, services and brands.
- Any failure to recover software development costs could affect the business prospects and profitability of the Group.
- The Group faces intense competition, which could reduce the market share and materially and adversely affect the results of operations and growth prospects of the Group.

Outlook

Existing Principal Business

Dedicated to meet the latest needs of enterprises and backup service providers, Ahsay™ Backup Software Version 7 ("Version 7") has been launched in December 2015 to cope with the market changes. Version 7 is an advanced client-server-based solution offering on-premises cloud backup. Through this software, users can manage the backup users' authorisation procedures and systems anytime and anywhere. They can immediately manage the users and monitor the system status, thus greatly enhancing management flexibility. As at 31 December 2016, the adoption rate of Version 7 was approximately 21.8%. Looking ahead, the Group aims to strengthen quality customer support service as well as introduce new features on Version 7 in order to drive up its adoption rate in the coming years.

Prospect for New Business

During the year, KINTIPS LIMITED ("KINTIPS", formerly known as HEKMAN (HK) LIMITED), an indirect wholly-owned subsidiary of the Company, had developed the Platform which is designed to provide information sharing services in Hong Kong (the "New Business"). The Platform has been officially launched in December 2016 and it is used as a tool to share information between the information providers and their subscribers through an internet website and mobile phone applications. For the year ended 31 December 2016, the contribution to the revenue of the Group from the New Business was not material.

Financial Review

Overview

For the year ended 31 December 2016, the Group has recorded total revenue of approximately HK$54.9 million, representing a decrease of approximately 4.2% as compared to approximately HK$57.3 million for the year ended 31 December 2015. The Group recorded a loss of approximately HK$11.1 million for the year ended 31 December 2016 as compared to a profit of approximately HK$45.4 million for the previous year. The loss incurred by the Group was mainly due to a decrease in revenue from the Ahsay™ Backup Software as a result of greater competition in backup software products; an increase in staff costs and related expenses; an increase in other expenses mainly from office rental expenses and legal and professional fees and no profit was generated from discontinued operation for the year ended 31 December 2016.

Management Discussion and Analysis

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services, other services and sale of hardware devices. Revenue of approximately HK$57.3 million and approximately HK$54.9 million was recognised for the year ended 31 December 2015 and 31 December 2016, respectively, which represents a decrease of approximately HK$2.4 million or approximately 4.2%.

The decrease was mainly due to the decrease of software license sales and leasing of approximately HK$2.1 million or approximately 6.2% from approximately HK$33.8 million for the year ended 31 December 2015 to approximately HK$31.7 million for the year ended 31 December 2016.

Other Income

Other income increased by approximately HK$0.1 million or 25.0%, to approximately HK$0.5 million for the year ended 31 December 2016 from approximately HK$0.4 million for the year ended 31 December 2015. The increase was mainly due to the increase of bank interest income and partially offset by the decrease in interest income from related parties as compared with the same period in 2015.

Other Losses

Other losses, net, were decreased by approximately HK$0.7 million, which was mainly due to the fact that no loss was derived from the decrease in fair value of held for trading investments during the year ended 31 December 2016. The Group did not hold any held for trading investment after the Listing.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised of salaries, performance bonuses, directors' fee, MPF contributions, directors' quarters, other staff welfare and other related expenses. Staff costs and related expenses increased by approximately HK$9.8 million or 25.7%, to approximately HK$48.0 million for the year ended 31 December 2016 from approximately HK$38.2 million for the year ended 31 December 2015. The increase for the year ended 31 December 2016 was mainly due to the increase of total headcount of the Group and salaries increment as compared with the same period in 2015.

Other Expenses

Other expenses primarily comprised of depreciation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expense and other regular office expenses such as utilities. Other expenses increased by approximately HK$6.1 million or 53.0%, to approximately HK$17.6 million for the year ended 31 December 2016 from approximately HK$11.5 million for the year ended 31 December 2015. The increase for the year ended 31 December 2016 was mainly due to increase in legal and professional fees and office rental expenses as compared with the same period in 2015.

Finance Costs

Finance costs primarily represented interest expenses on bank borrowings. Finance costs decreased by approximately HK$0.6 million or 66.7%, to approximately HK$0.3 million for the year ended 31 December 2016 from approximately HK$0.9 million for the year ended 31 December 2015. The decrease for the year ended 31 December 2016 was mainly due to repayment of certain bank loans during the Reorganisation stated in the Company's Prospectus.

Management Discussion and Analysis

Income Tax Expenses

Income tax expenses decreased by approximately HK$1.0 million or 62.5%, to approximately HK$0.6 million for the year ended 31 December 2016 from approximately HK$1.6 million for the year ended 31 December 2015. The decrease was mainly to the Group recorded a loss for the year ended 31 December 2016 as compared to a profit for the previous year.

(Loss) Profit for the Year

The Group recorded a loss of approximately HK$11.1 million for the year ended 31 December 2016 as compared to a profit of approximately HK$45.4 million for the year ended 31 December 2015. Among the loss for the year ended 31 December 2016, approximately HK$2.7 million was incurred from the New Business.

For the year ended 31 December 2015, the Group would have recorded profit from continuing operation of approximately HK$4.3 million after taking out the effect of a gain on disposal of property, plant and equipment of approximately HK$53.5 million, the listing expenses of approximately HK$15.2 million and the profit from discontinued operation of approximately HK$2.8 million.

Financial Position, Liquidity and Financial Resources

The Group adopts a prudent cash and financial management policy. In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks in Hong Kong and the PRC and denominated mostly in Hong Kong dollars. Hong Kong dollars are pegged to United States dollars under the current policy of the Government of the Hong Kong Special Administrative Region. As the Group's cash and bank balances and borrowings were substantially denominated in Hong Kong dollars, risk in exchange rate fluctuation would not be material.

The Group has remained at a sound financial resource level. As at 31 December 2016, current assets (included cash and bank balances) of approximately HK$100.8 million (31 December 2015: approximately HK$111.2 million). After deducting the bank borrowings balances, the Group remained at a net cash position as at 31 December 2016. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Capital Structure

The shares of the Company (the "Shares") were listed on GEM of the Stock Exchange on 8 October 2015. There has been of no change in the capital structure of the Group since then. The capital structure of the Company comprised ordinary shares only. As at 31 December 2016, the Company's issued share capital was HK$20.0 million and the number of its issued ordinary Shares was 2,000,000,000 of HK$0.01 each.

Gearing Ratio

As at 31 December 2016, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 12.5% (31 December 2015: approximately 12.5%). The Group's gearing ratio remained at the similar level is due to the repayment of bank loan and has offset by the total comprehensive expenses recognised during the year ended 31 December 2016.

Management Discussion and Analysis

Charges on Assets of the Group

As at 31 December 2016, there was no charge on assets of the Group (31 December 2015: nil).

Financial Management Policies

The Group in its ordinary course of business is exposed to market risks such as foreign currency risk and interest rate risk. The Group's risk management strategy aims to minimise the adverse effects of these risks on its financial performance.

The Group's cash is primarily deposited at banks in Hong Kong and denominated mostly in Hong Kong dollar. As at 31 December 2016, no related hedges were made by the Group (31 December 2015: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Hong Kong dollar, the impact of foreign exchange exposure to the Group during the year ended 31 December 2016 was minimal and there was no significant adverse effect on normal operations.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, the Group continues to monitor its related interest rate exposure closely.

Capital Commitments and Contingent Liabilities

As at 31 December 2016, the Group did not have any significant capital commitment (31 December 2015: nil) and contingent liability (31 December 2015: nil).

Material Acquisitions and Disposals

Save for the Reorganisation during the year ended 31 December 2015, the Group did not have any material acquisition and disposal. In June 2015, the Group disposed of the remaining of its investment properties and its leasehold land and buildings at a total consideration of approximately HK$102.9 million to related parties under common control of the Controlling Shareholders of the Group.

There was no material acquisition and disposal during the year ended 31 December 2016.

Employees and Remuneration Policy

As at 31 December 2016, the Group had a workforce of 112 employees (2015: 62). The increase in number of employees was mainly due to the expansion of the size of the team as a result of expansion of business. Total staff costs for the year ended 31 December 2016 was approximately HK$44.9 million, representing an increase of approximately HK$7.8 million as compared to that of last year. Details of emoluments of the Directors and five highest paid individuals are set out in note 14 to the consolidated financial statements.

Remuneration is determined with reference to the duties, responsibilities, experience, performance and competence of individual employee and Director. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefit included the mandatory provident fund prescribed by the Mandatory Provident Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes. The emoluments of the Directors are reviewed annually by the remuneration committee of the Board ("Remuneration Committee").

Management Discussion and Analysis

As incentives and rewards for their contributions to the Group, the employees of the Group and all the Directors (including the independent non-executive Directors ("INEDs") and non-executive Director) may also be granted share options by the Company from time to time pursuant to the share option scheme adopted on 4 September 2015, details of which are set out in section headed "Report of the Directors" in this report.

The Group provides various training to its employees to enhance their technical skills and knowledge relevant to the employees' responsibilities.

During the year under review, the Group did not experience any strikes, work stoppages or significant labour disputes which would have affected its operations in the past and it did not experience any significant difficulties in recruiting and retaining qualified staff.

Directors and Senior Management

Executive Directors

Mr. Chong King Fan (莊景帆), aged 69, was appointed as a Director on 10 April 2015 and designated as the chairman of our Board and an executive Director on 9 June 2015. Mr. Chong King Fan is responsible for overseeing the business development and in-house operations of our Group.

After moving to Hong Kong in 1960, Mr. Chong King Fan attended evening English classes from September 1962 to June 1966 in Eton E. T. School, a private tuition school in Hong Kong. Mr. Chong King Fan worked in Ban Thong Company Limited, the principal activities of which are investment holding and general merchants, from 1963 to March 1993 during which he started working as the personal assistant and his last title was managing director. He was mainly responsible for managing the exports of white sugar and rice from China and the expansion of China export trading business with chemical products. Since April 1993, Mr. Chong King Fan has been the managing director of Million Trader (Hong Kong) Limited, the principal activities of which are trading in dyestuff and chemicals, management services and property investment. He was mainly responsible for overall business operation, arranging financial resources and exploring new business opportunities.

Mr. Chong King Fan now acts as an honorary chairman as well as a vice chairman of various merchants associations in Hong Kong. He acted as a chairman of Hong Kong Petroleum Chemicals & Pharmaceutical Materials Merchants Association Limited from March 1987 to March 1995 and thereafter he has been acting as an honorary chairman. Mr. Chong King Fan acted as a vice chairman of Hong Kong Dyestuffs Merchants' Association Limited from 1995 to 2011 and he has been acting as a chairman since 2012. He acted as a vice chairman of the Industrial Chemical Merchants Association Limited from 2013 to February 2016. He has been an honorary director of Kowloon West Chaoren Association Limited since 2009 and acted as a vice chairman from 2013 to January 2015. He has been a vice chairman and an honorary consultant of Hong Kong Chongqing Friendship Federation Limited since 2013. Mr. Chong King Fan has also established his community network. He served as a director of the General Association of Kowloon District Affairs Consultants Limited since February 2010 and became an honorary chairman since May 2015. He has held various positions in Federation of Sham Shui Po District Affairs since June 1998, including acting as an executive committee member and a chairman.

Mr. Chong King Fan was an advisor to the Hong Kong District Affairs under the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (previously known as Xinhua News Agency Hong Kong Branch), and was a committee member of the Chongqing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議重慶市委員會). He is the spouse of Mrs. Chong Li Sau Fong ("Mrs. Chong"), a Controlling Shareholder, the father of Mr. Chong Siu Pui, Mr. Chong Siu Ning and Ms. Chong Siu Fan, Directors, and the uncle of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay Systems Corporation Limited ("Ahsay HK"), an indirect wholly-owned subsidiary of the Company.

Directors and Senior Management

Mr. Chong Siu Pui (莊小霈) ("Mr. Schubert Chong"), aged 47, was appointed as a Director on 10 April 2015 and re-designated as the chief executive officer of our Group and an executive Director on 9 June 2015. He is one of the founders of our Group. Mr. Schubert Chong has also been the chief executive officer and financial director of Ahsay HK since October 2005. Mr. Schubert Chong is responsible for overseeing the business development, in-house operations, overall strategic planning and the finance and accounting activities of our Group.

Mr. Schubert Chong received his Master of Business Administration (International) from the University of Sydney, Australia in June 1994 and his Bachelor of Arts in Accountancy from Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1991. Mr. Schubert Chong is a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and the Hong Kong Institute of Certified Public Accountants (HKICPA), as well as a full member of the CPA Australia (FCPA (Aust.)).

Mr. Schubert Chong worked in Price Waterhouse Hong Kong (now known as PricewaterhouseCoopers Hong Kong) as a staff accountant mainly responsible for reviewing clients' accounts from November 1991 to February 1992. Mr. Schubert Chong worked as the general manager in Commonwill Industrial (Matsutake) Limited, the principal business of which are trading and provision of restaurant operating consultation services from July 1994 to September 2005, during which he was mainly responsible for setting up the business operation logistics, distribution channel for the import and export of vegetables, managing the financial performance of the company. Mr. Schubert Chong joined our Group in August 1999 as a director of Ahsay HK while his involvement was not active. He became the chief executive officer and the finance director of Ahsay HK since October 2005. He has been responsible for overseeing the overall operation and finance performance of the Group. From January 2002 to October 2005, he was an independent non-executive director and the chairman of the audit committee of Timeless Software Limited (Stock Code: 8028), a company listed on GEM. Mr. Schubert Chong has been serving as a committee member of The Chinese General Chamber of Commerce Young Executives' Committee (香港中華總商會青年委員會委員) and YRD Committee (長三角委員會委員) since June 2012 and November 2014, respectively and he has been a committee member of the Chongqing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議重慶市委員會) since 2013. Mr. Schubert Chong has been a director of Hong Kong Chiu Chow Chamber of Commerce (香港潮州商會) since September 2014. Mr. Schubert Chong is the son of Mr. Chong King Fan, the elder brother of Mr. Scherring Chong and Ms. Monita Chong, the son of Mrs. Chong, a Controlling Shareholder, and the cousin of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay HK.

Directors and Senior Management

Mr. Chong Siu Ning (莊小靈) ("Mr. Scherring Chong"), aged 43, was appointed as a Director on 10 April 2015 and designated as the vice-chairman of our Board and an executive Director on 9 June 2015. He is one of the founders of our Group. He has also been the director and information technology & marketing director of Ahsay HK since August 1999 and July 2000 respectively. Mr. Scherring Chong is responsible for overseeing the business development, strategic planning and information technology development of our Group.

Mr. Scherring Chong received his Bachelor of Engineering in computer engineering from the University of New South Wales, Australia, graduating with 1st class honours in January 1997.

Mr. Scherring Chong has extensive experience in the backup software industry. Prior to forming our Group, he worked as an associate software specialist at Oracle Systems Hong Kong Ltd. from June 1997 to March 1999. Mr. Scherring Chong is the son of Mr. Chong King Fan, the younger brother of Mr. Schubert Chong and Ms. Monita Chong, the son of Mrs. Chong, a Controlling Shareholder, and the cousin of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay HK.

Ms. Chong Siu Fan (莊小雰) ("Ms. Monita Chong"), aged 44, previously appointed as a non-executive Director on 9 June 2015, has been re-designated as executive Director of the Company and has been appointed as the marketing director of KINTIPS.

Ms. Monita Chong received her Associate Diploma in Business Studies from Insearch Institute of Commerce in association with the University of Technology, Sydney in December 1993. Prior to joining our Group, Ms. Monita Chong worked as the operation manager in Commonwill Industrial (Matsutake) Limited, the principal business of which are trading and provision of restaurant operating consultation services from July 1994 to February 2005, during which she was mainly responsible for supervising the export and import of vegetables and managing the overall operation of a restaurant. Ms. Monita Chong joined us as a sales director in March 2005 and was mainly responsible for overseeing the sales operation of our Group. She has been a Microsoft Certified Professional, a certification awarded by Microsoft Corporation that validates IT professional and developer technical expertise, since May 2008.

Ms. Monita Chong is the daughter of Mr. Chong King Fan, the younger sister of Mr. Schubert Chong, the elder sister of Mr. Scherring Chong, the daughter of Mrs. Chong, a Controlling Shareholder, and the cousin of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay HK.

Directors and Senior Management

Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie (黃楚基), aged 48, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board of our Group. Mr. Wong obtained a Bachelor of Science in Biomedical Engineering from Boston University, the US, and a Master of Engineering (Electrical) from Cornell University, the US, in May 1990 and August 1991 respectively.

Mr. Wong Cho Kei Bonnie worked as an equity trader at BNP Paribas from August 2003 to August 2006 during which he was responsible for trading in Asian markets with Direct Market Access. He had also worked as a senior programme trader at ITG HK Ltd. from September 2006 to May 2009 where he was mainly engaged in trading in Asian markets with Direct Market Access and the enhancement of trading algorithm and designing new algorithms. Mr. Wong has been serving as the managing director of Wah Fu Petroleum Co Ltd, the business of which includes the wholesale distribution of petroleum and petroleum products, since May 2009 where he is mainly responsible for overseeing the financial performance and implementing business strategies of the company. Since December 2014, Mr. Wong has been the director of Chuan Chiong Co Ltd., which is involved in the trading and wholesale of proprietary Chinese medicine, food product and tea, where he is involved in determination of the company's strategic objectives and policies and monitoring the overall achievement.

Ms. Wong Pui Man (黃佩文), aged 44, is an independent non-executive Director appointed on 4 September 2015. Ms. Wong is responsible for providing independent advice to the Board of our Group. Ms. Wong obtained the Bachelor of Business Administration in Information and Systems Management from The Hong Kong University of Science and Technology in November 1996. Ms. Wong received her Bachelor of Chinese Medicine from Hong Kong Baptist University in November 2009. Ms. Wong currently holds the Practising Certificate for Registered Chinese Medicine Practitioner and is a registered Chinese medicine practitioner.

Prior to joining us, Ms. Wong worked as an IT manager at ThreeSixty Sourcing Ltd., which is principally engaged in product development and sourcing, from May 2003 to July 2011, during which she was mainly responsible for developing, enhancing and maintaining the accounting and sourcing system. Ms. Wong worked as a senior application specialist at Oracle Systems Hong Kong Limited, a cloud-based and on-premises solutions provider, from August 1996 to March 2000 and from August 2000 to April 2003, during which she was mainly responsible for providing consultation and supporting service to Oracle ERP solution customer.

Directors and Senior Management

Mr. Wong Yau Sing (黃有成), aged 66, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board of our Group.

During July 1970 to September 1977, Mr. Wong Yau Sing worked as an audit clerk in KPMG where he was responsible for conducting audit for clients. He worked at Ban Thong Company Limited, the principal activities of which are investment holding and to carry on the business of general merchants, from September 1977 to December 1993 as the company secretary and group financial controller. He was mainly in charge of the group finance, budgets, accounts, treasury functions and of attending to all corporate, financial and legal matters. He was a practising Certified Public Accountant (CPA) in Y.S. Wong & Co. as the sole proprietor from May 1994 to March 2012 acting as auditors and tax representatives of various clients.

Mr. Wong was a former member of the Hong Kong Institute of Certified Public Accountants (HKICPA) from March 1982 to February 2014. Mr. Wong no longer holds HKICPA membership since February 2014 as he did not renew his membership due to retirement. The Directors confirm that to their best knowledge and belief, there is no matter to be brought to the attention of the Stock Exchange in relation to Mr. Wong's HKICPA membership.

Senior Management

Mr. Lau Ka Yan Andy (劉嘉恩), aged 48, is the sales director of Ahsay HK. Mr. Lau joined Ahsay HK as an associate business development director on 8 August 2011 and he was promoted to sales director in July 2012. Mr. Lau is responsible for the global sales operation of the Group.

Mr. Lau received his Bachelor of Applied Science and Master of Applied Science from the University of Toronto, Canada, in June 1992 and June 1994, respectively. Mr. Lau also received his Master of Business Administration issued jointly by the University of New South Wales, Australia, and the University of Sydney, Australia, in May 2000.

Prior to joining us, Mr. Lau worked at various IT and telecommunications companies for more than 14 years, including but not limited to (i) Pan Asian Systems Ltd. from July 1995 to December 1996 with his last position being engineer in the technical and sales support department; (ii) Motorola Asia Pacific Limited from June 1997 to May 2000 with his last position being senior marketing executive of network solutions sector; (iii) PCCW from July 2001 to July 2005 with his last position being senior account manager in global sales; (iv) Google (Hong Kong) Limited from May 2006 to January 2008 as strategic partner manager covering both Hong Kong and Singapore markets; (v) Alibaba.com Hong Kong Limited from January 2008 to September 2009 as a senior sales manager in the Hong Kong sales department; and (vi) PayPal Hong Kong Limited from September 2009 to August 2011 as a head of business development, PayPal HK Merchant Services.

Directors and Senior Management

Mr. Chong Kam Fung (莊金峰), aged 37, is the company secretary and finance director of our Company, and the finance director of Ahsay HK. Mr. Chong Kam Fung joined Ahsay HK as the finance director in March 2015. Mr. Chong Kam Fung is primarily responsible for the overall corporate financial matters, capital management, investor relations, corporate governance, company secretarial and the strategic planning of our Group.

Mr. Chong Kam Fung graduated from the Hong Kong Polytechnic University and was awarded the degree of Bachelor of Arts in Accountancy with First Class Honours in December 2006. Mr. Chong Kam Fung is a fellow member of Association of Chartered Certified Accountants (FCCA) and a fellow member of the Hong Kong Institute of Certified Public Accountant (HKICPA).

Prior to joining us, Mr. Chong Kam Fung worked in PricewaterhouseCoopers, an accounting firm in Hong Kong from March 2006 to January 2013. His last position held was senior manager.

Mr. Lo Ho Chuen Kenneth (盧浩存), aged 48, is the customer service director of Ahsay HK. Mr. Lo joined Ahsay HK in January 2017 and is responsible for overseeing the operation and service quality of the customer service team.

Mr. Lo received his degree of Bachelor of Applied Science from the University of Toronto, Canada, in June 1991.

Prior to joining us, Mr. Lo worked at various companies, including the Fortune 500 MNC and Hong Kong based companies for more than 20 years in different positions, including but not limited to (i) Motorola Asia Pacific Limited from July 1998 to August 2000 with his last position being channel marketing manager under internet and networking group; (ii) Nortel Networks Limited from September 2000 to August 2007 with his last position being product manager in ASEAN carrier department; (iii) Polycom Asia Pacific Pte Ltd. from September 2007 to March 2009 with his last position being senior product marketing manager, APAC; (iv) Hong Kong Science and Technology Park Corporation from June 2009 to October 2010 being senior manager, venue and network management in marketing & admission division; and (v) Emerson Network Power – Embedded Computing and Power (Hong Kong) Limited (subsequently renamed as Artesyn Embedded Technologies (Hong Kong) Limited) from December 2011 to December 2016 with his last position being sales director, telecom & networking in embedded power BU.

Mr. Ip Wai Chung (葉衛忠), aged 42, is the information technology director of Ahsay HK. Mr. Ip joined Ahsay HK as internet application programmer in September 2000. He was subsequently promoted to partner services manager, software development manager, senior software development manager and associate information technology director in July 2006, January 2008, January 2010 and January 2013 respectively. Mr. Ip was further promoted to information technology director in January 2017 where he is responsible to oversee the software development, business support & productivity, and quality assurance of products.

Mr. Ip received his degree of Bachelor of Science (Hons.) in Computer Science (Computer Systems) from Hong Kong Baptist University, in 2000.

Report of the Directors

The Director of the Company are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2016.

Principal Activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 33 to the financial statements.

Results and Dividends

The results of the Group for the year ended 31 December 2016 and the state of affairs of the Group at that date are set out in the financial statements on pages 55 to 105.

The Board does not recommend the payment of any dividend for the year ended 31 December 2016.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 17 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles of Association") or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro rata basis to existing Shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2016, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

The Company was incorporated in the Cayman Islands on 10 April 2015. Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company had no reserve available for distribution to equity of the Company as at 31 December 2016.

Report of the Directors

Major Customers and Suppliers

During the year ended 31 December 2016, sales attributable to the Group's largest customer and five largest customers accounted for approximately 2.0% and 7.1% of the Group's total revenue for the year, respectively.

The Group did not have any supplier of goods or services which was specific to the business of the Group and which was required by the Group on a regular basis to enable the Group to continue to supply or service its customer during the year ended 31 December 2016.

To the best knowledge of the Directors, neither of the Directors, their close associates nor any shareholders who owned more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers during the year.

Directors

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Chong King Fan *(Chairman)*
Mr. Schubert Chong *(Chief Executive Officer)*
Mr. Scherring Chong *(Vice Chairman)*
Ms. Monita Chong *(re-designated on 28 July 2016)*

Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie
Ms. Wong Pui Man
Mr. Wong Yau Sing

In accordance with Articles 84(1) and (2) of the Company's Articles of Association., Mr. Schubert Chong, Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man will retire as Directors by rotation and, being eligible, will offer themselves for re-election as Directors at the forthcoming annual general meeting of the Company.

Report of the Directors

Independent Non-Executive Directors' Confirmations of Independence

The Company has received from the independent non-executive Directors an annual confirmation pursuant to Rule 5.09 of the GEM Listing Rules and considers that all the independent non-executive Directors are independent to the Company.

Directors' Service Contract and Letter of Appointment

Each of the Directors has entered into a service contract or an appointment letter (as the case may be) with the Company with effect from the date of appointment and will continue thereafter unless terminated by either party in accordance with the provision of the service contract or appointment letter (as the case may be).

No Director proposed for re-election at the forthcoming AGM has a service contract or any appointment letter (as the case may be) with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 32 to the consolidated financial statements, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Permitted Indemnity Provisions

At no time during the year ended 31 December 2016 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Hong Kong Companies Ordinance.

Report of the Directors

Share Option Scheme

The Company adopted a share option scheme (the "Share Option Scheme") on 4 September 2015 to provide incentives or rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. For the purpose of this section, refer to (a) ("Invested Entity") shall mean any entity in which our Group holds any equity interest (irrespective of the percentage of such equity interest); (b) ("Employee") shall mean any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of the Group and any Invested Entity; (c) ("Participant") shall include: (i) any Employee; (ii) any non-executive Director (including independent non-executive Directors) of our Group or any Invested Entity, (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer, business or joint venture partner, franchisee, contractor, agent or representative of our Group or any Invested Entity; (v) any consultant, adviser, manager, officer or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to our Group or any Invested Entity; and (vi) any direct or indirect shareholder of our Group. The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option scheme is to provide incentives or rewards to the Participants for their contribution to the growth of the Group and any Invested Entity and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity.

(b) Who may join

The Board shall be entitled but shall not be bound at any time and from time to time within the period of ten years from the date on which the Share Option Scheme becomes effective to make offers to any Participant, as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, to take up options to subscribe for Shares, being a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof, as the Board may determine at a price calculated in accordance with sub-paragraph (c) below. For the purpose of the Share Option Scheme, options may be granted to any company wholly-owned by a Participant.

(c) Subscription price for shares and consideration for the option

The subscription price for shares in respect of any options granted under the Share Option Scheme shall be a price determined by the Board, in its absolute discretion, but in any case shall not be less than the highest of:

(i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day;

(ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and

(iii) the nominal value of a share on such date of grant.

(d) Maximum number of shares

The maximum number of shares in respect of which options may be granted under the Share Option Scheme shall not in aggregate exceed 10% of all the Shares in issue as at the date of the Listing (i.e. not exceeding 200,000,000 shares representing 10% of the issued capital of the Company as at the date of this report).

Report of the Directors

(e) Maximum entitlement of each Participant

No Participant shall be granted an option if the total number of shares issued and to be issued upon exercise of the options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to and including the date of such further grant would exceed 1% of the shares in issue.

(f) Time of acceptance and exercise of option

An offer of the grant of option may be accepted by a Participant within 21 business days from the date of the offer of grant of options.

(g) Rights are personal to grantee

An option shall be personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, or create any interest (legal or equitable) in favour of any third party over or in relation to any option.

(h) Duration of the Share Option Scheme

Unless terminated by the Board or the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years commencing from the date on which the Share Option Scheme becomes effective, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect in to the extent necessary to give effect to the exercise of the options granted prior thereto.

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme and there was no share option outstanding as at 31 December 2016.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2016 are disclosed in note 32 to the financial statements. Transaction constituted continuing connected transaction under the GEM Listing Rules is identified below:

Leasing of Ahsay™ Backup Software by the Group to Almega System Analysts Limited

Ahsay HK has been leasing Ahsay™ Backup Software to Almega System Analysts Limited on normal commercial terms which are no more favourable than those made available to customers of the Group which are independent third parties and the amount received from Almega System Analysts Limited was approximately HK$5,000 for the year ended 31 December 2016.

Almega System Analysts Limited is a company whose entire issued share capital is held as to approximately 30% directly by Mr. Kwun Yuk Wa Samuel, the spouse of Ms. Monita Chong. Hence, Almega System Analysts Limited, being an associate of Ms. Monita Chong, is a connected person of the Company under the GEM Listing Rules. Therefore, the leasing of Ahsay™ Backup Software to Almega System Analysts Limited will constitute a continuing connected transaction under the GEM Listing Rules.

As each of the applicable percentage ratios for abovesaid transaction was less than 0.1%, such transaction will constitute de minimus continuing connected transactions and were fully exempt from the requirements under Chapter 20 of the GEM Listing Rules. The Group will comply with relevant requirements under Chapter 20 of the GEM Listing Rules when conducting such transaction.

Report of the Directors

Tenancy Agreement in respect of Office Premises (the "Office Premises Tenancy Agreement")

On 25 June 2015, Ahsay HK, as tenant, entered into the Office Premises Tenancy Agreement with Assets Sino Investment (HK) Limited ("Assets Sino HK"), as landlord, in respect of the properties located at 28/F and car parking space number P5 on 2/F of Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong (the "Office Premises") for the period from 25 June 2015 to 31 December 2017 at an annual rent of HK$2,817,600, exclusive of government rent, rates, management fee, utilities and other service charges. Assets Sino HK is a company under common control of the Controlling Shareholders and is therefore a connected person of the Company under the GEM Listing Rules. The transaction under the Office Premises Tenancy Agreement constituted a continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

An independent valuer has conducted a valuation of the Office Premises. The result of such valuation confirmed that the rental charge of the Office Premises Tenancy agreement is in line with the market rent and reflect the prevailing market rate as at 30 April 2015, the valuation date.

The annual cap for rental in respect of the Office Premises Tenancy Agreement payable by the Group for each year ending 31 December 2015, 2016 and 2017 is HK$1,455,760, HK$2,817,600 and HK$2,817,600, respectively.

The independent non-executive Directors of the Company have reviewed the continuing connected transaction and confirmed that it has been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 20.54 of the Listing Rules, the Company has engaged the auditor of the Company to conduct certain procedures in respect of the continuing connected transactions of the Group in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed to the Board in writing that for the year ended 31 December 2016, the continuing connected transactions, which were entered into,:

1. have received the approval of the Board;

2. have been in accordance with the relevant agreement governing such transactions; and

3. have not exceeded the annual cap amount as set by the Company for the financial year ended 31 December 2015.

The Company confirms that the continuing connected transaction as disclosed above fall under the definition of continuing connected transactions in Chapter 20 of the GEM Listing Rules and that the Company has complied with the relevant disclosure requirements.

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interests and short positions of the Directors and chief executive 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 (Chapter 571 of Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

Name of Director	Capacity/nature of interest	Note	Number of Shares	Approximate percentage of total number of Shares (note 1)
Mr. Chong King Fan	Interest of spouse	2	1,500,000,000	75.0%
Mr. Schubert Chong	Interest in a controlled corporation	2	1,500,000,000	75.0%
Mr. Scherring Chong	Interest in a controlled corporation	2	1,500,000,000	75.0%

Notes:

1. As at 31 December 2016, the Company had 2,000,000,000 Shares in issue.

2. As at 31 December 2016, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited (''Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr Scherring Chong are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2016, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in Shares

Name of Shareholder	Capacity	Notes	Number of Shares	Approximate percentage of total number of Shares (note 1)
All Divine	Beneficial owner	2	1,500,000,000	75.0%
Able Future	Interest in a controlled corporation	2	1,500,000,000	75.0%
Mrs. Chong Li Sau Fong	Interest in a controlled corporation	2	1,500,000,000	75.0%
Ms. Wu Jui-fang	Interest of spouse	3	1,500,000,000	75.0%
Ms. Li Yin Heung	Interest of spouse	4	1,500,000,000	75.0%

Notes:

1. As at 31 December 2016, the Company had 2,000,000,000 Shares in issue.

2. All Divine held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future which is owned by Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr Scherring Chong are deemed to be interested in the Shares held by All Divine.

3. Ms. Wu Jui-fang is the spouse of Mr. Schubert Chong. By virtue of the SFO, Ms. Wu Jui-fang is deemed to be interested in the Shares in which Mr. Schubert Chong is interested.

4. Ms. Li Yin Heung is the spouse of Mr. Scherring Chong. By virtue of the SFO, Ms. Li Yin Heung is deemed to be interested in the Shares in which Mr. Scherring Chong is interested.

Save as disclosed above, as at 31 December 2016, the Company has not been notified by any persons (other than the Directors or Chief executive of the Company) who had an interest 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 under Section 336 of the SFO.

Report of the Directors

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time during the year and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Corporate Governance Code

The Board is satisfied that the Company has complied with all the code provisions set out in Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 15 to the GEM Listing Rules, that the Company adopted as its own code of corporate governance, from the date of Listing to 31 December 2016.

Directors' and Controlling Shareholders' Interest in Competing Business

For the year ended 31 December 2016, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

Compliance Adviser's Interests

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed VBG Capital Limited ("VBG Capital") (formerly known as V Baron Global Financial Services Limited) to be the compliance adviser. VBG Capital had declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules in connection with the Listing.

The compliance adviser's appointment entered into between VBG Capital and the Company is for a period commencing on 8 October 2015 (i.e. date of Listing) and ending on the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of the dispatch of its annual report of the financial results for the second full financial year commencing after that date, i.e. for the year ending 31 December 2017, or until the compliance adviser agreement is terminated in accordance with its terms and conditions, whichever is earlier. Pursuant to the compliance adviser agreement entered into between VBG Capital and the Company, VBG Capital will receive fees for acting as the Company's compliance adviser.

As notified by VBG Capital, neither VBG Capital nor any of its close associates and none of the directors or employees of VBG Capital had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Report of the Directors

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any non-compliance with relevant laws and regulations during the year ended 31 December 2016.

Key Relationships with Employees

Human resources are the most valuable asset of the Group. The Group rewards and recognises employees with competitive remuneration package and implements a key performance index scheme with appropriate incentives, and promotes career development and progression by providing opportunities for career advancement.

The Group considers its employees the key to sustainable business growth. Workplace safety is priority of the Group, and with due awareness of all employees throughout the year, the Group was able to maintain safety workplaces for its employees.

Key Relationships with Customers

The Group has a globally-diversified customer base worldwide. In order to maintain good and stable relationships with customers, various measures have been adopted to strengthen the communications between the customers and the Group in the provision of customer service towards penetration and expansion. In addition, the Group will continue expanding our sales and marketing team to proactively manage customer relations, expand our customer base and enhance customer loyalty.

Key Relationships with Suppliers

The Group does not have any supplier of goods or services which was specific to the Group's business and which was required by the Group on a regular basis to enable the Group to continue to supply or service our customers.

Auditors

The Company was incorporated on 10 April 2015 and Deloitte Touche Tohmatsu ("DTT") was appointed as the first auditors.

The financial statements for the year ended 31 December 2016 were audited by DTT who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chong King Fan
Chairman

Hong Kong
17 March 2017

Corporate Governance Report

Corporate Governance Practices

The Group's corporate governance framework bases on two main beliefs:

- the Group is well-committed to maintain good corporate governance practices and procedures; and

- the Group recognises the need to adopt practices that improve itself continuously for a quality management.

Accordingly, the Group is committed to maintaining high standards of corporate governance with a view to assuring the conduct of management of the Group as well as protecting the interests of all Shareholders. The corporate governance principles adopted by the Group emphasize a quality Board for leadership, effective internal controls, transparency and accountability to all Shareholders.

The Group has applied the principles and adopted all code provisions, where applicable, of the CG Code as its own code of corporate governance. The Directors consider that since the Listing of the Shares on GEM on 8 October 2015 and up to 31 December 2016 (i.e. the Review Period), the Group has complied with all the code provisions as set out in the CG Code.

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Review Period.

The Group believes through the operation of an effective Board, sound internal controls, and accountability to Shareholders, the Group is able to maximise the value of all Shareholders. The following summarises the corporate governance practices adopted and observed by the Group during the Review Period.

Corporate Governance Report

Board of Directors

Board Composition

As at 31 December 2016 and as at the date on which this annual report is approved, the Board comprises four executive Directors and three INEDs as named below. An updated list of the Directors identifying their roles and functions is posted on GEM's website and the Company's website from time to time.

Executive Directors

Mr. Chong King Fan *(Chairman)*
Mr. Schubert Chong *(Chief Executive Officer)*
Mr. Scherring Chong *(Vice Chairman)*
Ms. Chong Siu Fan (re-designated from non-executive Director to executive Director on 28 July 2016)

Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie
Ms. Wong Pui Man
Mr. Wong Yau Sing

The names, biographical details of the Directors and the relationships among them are set out in the "Directors and Senior Management" section of this annual report.

Each Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently. The Board provides the Group with diversified industry expertise, advised the management on strategic development and the Board maintains high standard of compliance with financial and other mandatory reporting requirements as well as provides adequate checks and balances to safeguard the interests of Shareholders and the Company as a whole.

Corporate Governance Report

Term of Appointment and Re-election

Each of the executive Directors has entered into a Director's service contract with the Company and each of the non-executive Directors including INEDs has entered into a letter of appointment with specific terms with the Company. All Directors are subject to retirement by rotation and re-election at the general meeting in accordance with the Articles of Association. Details of the terms of appointment of the Directors are disclosed in the section "Directors' Service Contracts and Letter of Appointment" of the Report of the Directors in this annual report.

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three (3) or a multiple of three (3), then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement by rotation at least once every three years. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Any Director appointed to fill a casual vacancy or as an additional Director shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Every newly appointed Director is provided with a package of materials detailing the duties and responsibilities of Directors under the GEM Listing Rules, the Articles of Association, related ordinances and relevant regulatory requirements of Hong Kong. Every Director is aware that, before accepting appointment as a Director, he/she must be able to give sufficient time and attention to the affairs of the Company.

Board Meetings

The Group adopted the practice of holding Board meetings that included both executive Directors and non-executive Directors in person or through electronic means of communication regularly at least four times every year. During regular meetings of the Board, the Directors discussed and formulated the overall strategies of the Group, monitored financial performances and reviewed the financial results, as well as discussed and decided on other significant matters. The Board will also meet on other occasions when a board-level decision on a particular matter is required.

Generally, at least 14-days' notice for the Company's regular Board meeting, and reasonable time for all other meetings, would be given prior to such meetings. The Directors will receive the agenda and accompanying documents tabled in the meeting at least three days before regular Board meetings and will be given an opportunity to include matters in the agenda for discussion.

In order to ensure that Board procedures, applicable rules and code provisions are followed, all Directors are able to access the Company's company secretary for advice. Upon reasonable request, the Directors will be able to seek independent professional advice in appropriate circumstances at the Company's expense.

Corporate Governance Report

The company secretary of the Company has assisted the chairman of the Board in preparing the agenda for each meeting. Minutes of such meetings are kept by the Company's company secretary or other duly authorised person during the meeting which included all decisions made during the meetings together with concerns raised and dissenting views expressed (if any). All minutes are open for inspection by any Director on reasonable notice. Such minutes are recorded in sufficient detail of the matters considered and decisions reached. Draft and final versions of minutes are sent to Directors for comment and records, respectively.

During the year ended 31 December 2016, five Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

Name of Director	Attendance
Executive Directors	
Mr. Chong King Fan	5/5
Mr. Schubert Chong	5/5
Mr. Scherring Chong	4/5
Ms. Chong Siu Fan	5/5
Independent Non-Executive Directors	
Mr. Wong Cho Kei Bonnie	5/5
Ms. Wong Pui Man	5/5
Mr. Wong Yau Sing	5/5

Apart from the Board meetings, Board committees met on other occasions during which matter relating to their respective terms of reference was discussed. The Board committee members would receive notice, agenda and documents to be tabled for consideration in advance of each meeting in accordance with the CG Code and respective terms of reference.

Directors are provided with monthly updates on internal unaudited financial information so as to give them a balanced and understandable assessment of the Group's performance, position and prospects. All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 31 December 2016.

Corporate Governance Report

Directors' Continuous Training and Professional Development

In compliance with the code provision A.6.5 of the Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors attended a formal directors training session conducted by K & L Gates prior to the listing of the Company. The training session covered topics including the GEM Listing Rules, the CG Code and the disclosure of inside information. The Group has also been provided reading materials including the CG Code, the Inside Information Provision (as defined under the GEM Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) to all Directors to develop and refresh the Directors' knowledge and skills.

The Group continuously updates the Directors on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements, so as to ensure that he/she is aware of his/her responsibilities and obligations as well as to maintain good corporate governance practices.

Delegation by the Board

The Company has set out the respective functions and responsibilities which can be reserved to the Board and delegated to management or Board committees. The Board delegates day-to-day operations of the Group to executive Directors and senior management while reserving certain key matters, mainly relating to the approval and monitoring of the Group's overall strategies, policies and business plans; and overseeing and evaluating the performance of the Group. It is also responsible for promoting the success of the Group and its businesses by directing and supervising the Group's affairs. Board committees for specific functions are also set up to ensure efficient Board operations.

Decisions of the Board are communicated to the management through executive Directors who have attended at Board meetings.

Directors' Work Commitments Outside the Group

Directors are required to disclose in a timely manner to the Company's company secretary for any change in the number and nature of offices held in public companies or organisations and other significant commitments, and the identity of such public companies or organisations. Such information is disclosed in the "Directors and Senior Management" section of this annual report.

Directors' Liability Insurance

The Company has arranged appropriate liability insurance to cover the Directors' risk exposure arising out of corporate activities. The insurance coverage is reviewed annually.

Corporate Governance Report

Board Committees

The Board has established four committees, namely the Remuneration Committee, nomination committee ("Nomination Committee"), audit committee ("Audit Committee") and risk management committee ("Risk Management Committee") for overseeing various particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of such Board committees are available on GEM's website and the Company's website. The Board committees are provided with sufficient resource to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

All members of the Remuneration Committee, the Nomination Committee and the Audit Committee are INEDs and the majority of the members of the Risk Management Committee are INEDs. The list of the chairman and members of each Board committee is set out below.

Remuneration Committee

The Company established the Remuneration Committee on 4 September 2015 with written terms of reference. The Remuneration Committee comprises three INEDs, namely Ms. Wong Pui Man (Chairman of the Remuneration Committee), Mr. Wong Cho Kei Bonnie and Mr. Wong Yau Sing.

The Remuneration Committee considers and recommends to our Board the remuneration and other benefits paid by us to out Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate.

During the year ended 31 December 2016, two meetings of the Remuneration Committee were held to review the structure and policy of remuneration of the Group and approve the remuneration package of Directors and senior management. The emoluments of the Directors are reviewed by the Remuneration Committee according to the Directors' respective responsibilities, individual performance and prevailing market conditions. The individual attendance record of each Remuneration Committee member is as follows:

Name of Director	**Attendance**
Ms. Wong Pui Man *(Chairman)*	2/2
Mr. Wong Cho Kei Bonnie	2/2
Mr. Wong Yau Sing	2/2

Corporate Governance Report

Nomination Committee

The Company established the Nomination Committee on 4 September 2015 with written terms of reference. The Nomination Committee comprises three INEDs, namely Mr. Wong Cho Kei Bonnie (Chairman of the Nomination Committee), Ms. Wong Pui Man and Mr. Wong Yau Sing.

The Nomination Committee considers and recommends to our Board suitably qualified persons to become our Board members and is responsible for reviewing the structure, size and composition of our Board on a regular basis.

The composition and diversity of the Board were considered by taking into account the Group's board diversity policy by reference to a range of diversity measurable perspectives, including but not limited to their age, gender, skills, professional experience, knowledge and length of service. All executive Directors possess extensive and diversified experience in management, finance and broad industrial experience. The non-executive Director and the three INEDs possess professional knowledge in corporate finance and accountancy with broad and extensive experience in business advisory and management, brand building and marketing, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report. The Group is of the view that the current Board composition represents an appropriate balance for the requirements of the business development of the Company and for effective leadership.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Group's policy by making reference to the above perspectives of the proposed candidates which suit the Group's requirements.

During the year ended 31 December 2016, two meetings of the Nomination Committee were held to review the structure, size, composition and diversification (including the skills, knowledge and experience) of the Board, and review the policy of Directors' nomination related matters, assess the independence of INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming annual general meeting. The individual attendance record of each Nomination Committee member is as follows:

Name of Director	Attendance
Mr. Wong Cho Kei Bonnie *(Chairman)*	2/2
Ms. Wong Pui Man	2/2
Mr. Wong Yau Sing	2/2

Corporate Governance Report

Audit Committee

The Company established the Audit Committee on 4 September 2015 with written terms of reference. The Audit Committee comprises three INEDs, namely Mr. Wong Yau Sing (Chairman of the Audit Committee), Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man.

The primary duties of our Audit Committee are to review and supervise our financial reporting process and internal control system and to provide advice and comments to our Board.

During the year ended 31 December 2016, four meetings of the Audit Committee were held to review the quarterly, interim and annual consolidated financial statements, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditors for the audited results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in the Company's quarterly, interim and annual report comply with the applicable accounting standards and the GEM Listing Rules. The individual attendance record of each Audit Committee member is as follows:

Name of Director	Attendance
Mr. Wong Yau Sing *(Chairman)*	4/4
Mr. Wong Cho Kei Bonnie	4/4
Ms. Wong Pui Man	4/4

The Group's unaudited quarterly and interim results and audited annual results published for the year ended 31 December 2016 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Risk Management Committee

The Company established the Risk Management Committee on 4 September 2015 with written terms of reference. The Risk Management Committee comprises one executive Director, namely Mr. Schubert Chong (Chairman of the Risk Management Committee) and two INEDs, namely Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man.

The primary duties of the risk management committee are to review the Company's risk management policies and standards and supervise and monitor the Company's exposure to risks of sanction-related laws and regulations administered by the US, the EU, the United Nations and Australia.

Corporate Governance Report

During the year ended 31 December 2016, two meetings of the Risk Management Committee were held to review the Group's risk management policies and standards and supervise and monitor our Company's exposure to International Sanctions risks. The individual attendance record of each Risk Management Committee member is as follows:

Name of Director	Attendance
Mr. Schubert Chong *(Chairman)*	2/2
Mr. WONG Cho Kei Bonnie	2/2
Ms. WONG Pui Man	2/2

Chairman and the Chief Executive Officer

During the year ended 31 December 2016, Mr. Chong King Fan has been acting as the chairman of the Board who is responsible for enabling effective operation of the Board and Mr. Schubert Chong has been acting as the chief executive officer of the Group who is responsible for the day-to-day management of the Group's business. Their roles were clearly defined and segregated to ensure balanced power and responsibilities. Mr. Chong King Fan is the father of Mr. Schubert Chong.

Company Secretary

The Company Secretary is responsible for facilitating the Board's process and communications among Board members and with the Shareholders and the management, and advising the Board and its committees on all corporate governance matters.

During the year ended 31 December 2016, the Company's company secretary has undertaken not less than 15 hours of relevant professional training as required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

Auditors' and Auditors' Remuneration

Appointment of Auditors

The Company was incorporated on 10 April 2015 and the first external auditors appointed is DTT, which is the existing external auditors of the Company.

Directors' and Auditors' Responsibilities for the Financial Statements

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are made in accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the financial statements of the Group.

The statements of the external auditors of the Group, DTT, about their reporting responsibilities on the financial statements of the Group are set out in the section headed "Independent Auditors' Report" of this annual report.

Corporate Governance Report

Auditors' Remuneration

The Audit Committee is responsible for considering and reviewing the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Group.

For the year ended 31 December 2016, the fees paid/payable to the auditors and their affiliate companies in respect of the audit and non-audit services are as follows:

Services	**HK$'000**
Audit service (note 1)	1,000
Non-audit services (note 2)	994

Notes:

1. Including the audit of the Group's financial statements for the year ended 31 December 2016

2. For the year ended 31 December 2016, the Group has engaged the auditors and their affiliate companies to provide non-audit services which include the review of the Group's quarterly/interim financial statements, the review of the Group's internal control system and the tax advisory services.

Changes in Constitutional Documents

During the year ended 31 December 2016, there was no significant change in the constitutional documents of the Company.

Corporate Governance Report

Risk Management and Internal Control

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risk rather than eliminating the risk of failure to achieve business objective, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Process Used to Identify, Evaluate and Manage Significant Risks

The Board, through the Risk Management Committee and the Audit Committee, has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2016, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate.

The senior management of the Group updates and reports the key risk areas, including any remedial plans, if deemed necessary or appropriate, to the Risk Management Committee for consideration. The identified key risks areas and the appropriate risk mitigation strategies were reviewed and commented by the Board at its year-end meeting. The principal risks and uncertainties of the Group are set out in on pages 11 to 12 of this report.

The Audit Committee has also annually reviewed the adequacy of resources, qualifications, experience and training programs of the Group's accounting, internal audit and financial reporting functions and considered that the staffing and the appointed consultant are adequate and competence to carry out their roles and responsibilities.

Further, the company formulated the inside information policy. The Company regularly reminds the directors and employees about due compliance with all policies regarding the inside information.

Handling and Dissemination of Inside Information

With respect to the monitoring and disclosure of inside information, the Company has formulated and implemented its guidelines, with a aim to ensure that the insiders abide by the confidentially requirement and fulfil the disclosure obligation. The guidelines includes, but not limited to, the procedures as follows:

- The Group has strictly prohibited unauthorised use of confidential or inside information;
- The Group has stipulated policy on handling of rumours, unintentional selective disclosure and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures.
- The Group authorised only the executive Directors and company secretary for responding to external enquiries about Group's affairs; and
- Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the website of GEM and the Company, according to the requirements of the GEM Listing Rules.

Corporate Governance Report

Shareholders' Rights and Investor Relations

Investor Relations and Communications with Shareholders

The Group is committed to maintaining a high level of transparency and employs a policy of open and timely disclosure of relevant information to its Shareholders.

The Board strives to encourage and maintain constant dialogue with its Shareholders through various means. The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The website of the Company has provided an effective communication platform to the public and the Shareholders. During the annual general meeting held on 29 April 2016, all Directors attended the meeting and met the Shareholders.

Shareholders may send written enquiries to the Company, for the attention of the Board or Company's company secretary, by fax: (852) 3580 8095, e-mail at mkt-kb@ahsay.com or mail to 28/F, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong. Appropriate members of the Board and senior management are ready to respond to enquiries from Shareholders and investors on a timely basis.

The Company has disclosed all necessary information to the Shareholders and investors and established a range of communication channels between itself, its Shareholders and investors in accordance with the GEM Listing Rules. The Company also communicates with the public including potential investors through its periodic reports and announcements. The focus of the Company is to ensure information disclosure is timely, fair, accurate, truthful and complete thereby enabling the public as well as the investors to make rational and informed decisions.

Procedures for Shareholders to Convene an Extraordinary General Meeting

The following set out the procedures for Shareholders to convene an extraordinary general meeting ("EGM") of the Company in accordance with article 58 of the Articles of Association.

One or more Shareholders ("Requisitionist(s)") holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one day of such deposit the Board fails to proceed to convene such meeting, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expense incurred by the Requisitionist(s) as a result of the failure of the Board shall be reimbursed to the Requisitionist(s) by the Company.

Corporate Governance Report

Procedures for Shareholders to Propose a Person for Election as a Director

The provisions for a Shareholder to propose a person for election as a Director are set out in article 85 of the Articles of Association.

If a Shareholder wishes to propose a person for election as a Director at a general meeting, he/she should deposit (i) a written notice containing the information of the person to be proposed to act as a Director as required by Rule 17.50(2) of the GEM Listing Rules, duly signed by the Shareholder who wishes to make such proposal; and (ii) a consent notice in writing duly signed by the person being proposed to be elected as to his/her willingness to be elected and consent of publication of his/her information pursuant to the GEM Listing Rules, during a period commencing on the day after the dispatch of the notice of the general meeting and ending no later than seven clear days before the date of such general meeting.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). However, shareholders may follow the procedure set out in the section headed "Procedures for Shareholders to Convene and Extraordinary General Meeting" above for including a resolution at an EGM. The requirements and procedures are set out above.

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders has made an annual declaration to the Company that during the year ended 31 December 2016, it has complied with the terms of non-compete undertakings ("Non-Compete Undertakings") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Compete Undertakings are set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

The INEDs have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings in the Non-Compete Undertakings and have confirmed that, as far as the INEDs can ascertain, there is no breach of any of the undertakings in the Non-Compete Undertakings.

Environmental, Social and Governance Report

About this Report

This report, as the first Environmental, Social and Governance "ESG" report of the Group, aims to disclose the overall policies, commitments and strategies on the substainable development of the Group during the reporting period which covers the period from 1 January 2016 to 31 December 2016. We have prepared this report to disclose our performance in ESG in accordance with the disclosure requirements of "ESG Reporting Guide" set out in Appendix 20 of the GEM Listing Rules published by the Stock Exchange, The Group believes that sound ESG performance is critically important to the sustainable development of its business and community and the Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance.

Environmental Policies and Performance

The Group believes that Sound ESG performance is of critical importance to sustainability of its business and community. The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. It is the Group's policy to promote clean operation and make the most efficient use of resources in its operations, and minimize wastes and emission. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's business to move towards adhering the 3Rs – "Reduce", "Recycle" and "Reuse" and enhance environmental sustainability.

Emissions

The Group is principally engaged in the provision of online backup software solutions to clients via internet. The operations of the Group do not have significant impact to the environment and do not generate hazardous waste, Greenhouse gases emission are indirectly generated from electricity consumed at the Group's workplace. The Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees. The Group has implemented a number of measures such as reducing carbon emissions, increasing energy efficiency and conserving water resources in order to deliver our commitment to environmental protection. The Group has launched a number of waste management programs, including recycling of glass, paper and metal. During the year ended 31 December 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

Use of Resources

During the production and operation process of the Group, we, directly and indirectly, consume resources and energy, such as water and electricity. Energy Saving and Consumption Reduction measures have been implemented by the Group to encourage the employee to avoid unnecessary wastage of electricity, water and energy usage including:

(1) Educating employees and posting water-saving notices in office to save water and reduce the amount of domestic sewage discharged.

Environmental, Social and Governance Report

(2) Ensuring the water supply is at its optimal working condition. When leakage is discovered, it will be promptly repaired.

(3) The use of electricity in the office of the Group must comply with the principles of power saving, safety first, high efficiency and low consumption.

(4) Lights and electronic appliances in living areas or workplaces must be turned off when not in use.

(5) Every member of staff and management must turn off the power for each department's computers, photocopy machines, printers and facsimile machines when they are off duty or on leave.

(6) Other than formal documents materials that require the use of paper, each department is advised to handle documents electronically. When the use of paper is required, each paper must be printed double-side except for formal and confidential documents.

(7) Reducing unnecessary business trips by staff members after taking into account the environmental impact.

(8) No printing and photocopying of materials unrelated to work.

(9) Implementing an optimal air-conditioning control program to select the best configuration automatically, based on the in-door requirement and out-door condition.

Employment

The Group has established and implemented the "Employee Handbook", which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits as well as welfare for our employees. The Group also aims to promote the diversity of workforce, including in terms of age, gender and nationality, as well as a culture of equal opportunity. The management regularly reviews the Group's remuneration policy in relation to relevant market standards. The Group strictly complies with the abovesaid relevant standards, rules and regulations. For the year ended 31 December 2016, the Group was not aware of any material non-compliance with relevant standards, relevant rules and regulations.

Health and Safety

Health and safety are the most pressing concern across our business operations. Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success. The Group is committed to providing them with a safe, pleasant and healthy working environment. The principal office premise of the Group is located at 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong with a gross floor area of approximately 10,377 square feet, which provides employees with a breakout area to relax, gather and hold meetings. To provide employees with a safe working environment, a long lighting system has been installed in the office area. A conspicuously placed illuminated sign bearing the symbols of exit direction to leave the workplace at each doorway during emergency especially in the event of a fire. Fired drill has been carried out at regular intervals to demonstrate escape routes and provide sufficient training to employees on fire safety. Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures. During the year ended 31 December 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

Environmental, Social and Governance Report

Development and Training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group. Each department of the Group is responsible for determining its training needs for the employees in its department. Any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group ensures that all employees can fulfill the relevant requirements on their job duties in terms of education, training, technical and work experience. During the year ended 31 December 2016, the Group had engaged HMI Consulting Limited to provide training for management staff of the Group to enhance their management and supervisory skills.

Labour Standards

Employment of staff by the Group must comply with the relevant labour laws and regulations. The Group strictly complied with the relevant rules and regulations for the year ended 31 December 2016. The Group has a zero tolerance policy towards the use of forced labor and child labor in our business operations and reviews the overall employment practices to avoid any potential violations or irregularities. Each employee is required to fill in a resume upon joining the Group. Should the employee provide false identity or false personal particulars, the said employee would be considered to have committed a serious breach of the Group's rules and regulations and the Group will terminate employment according to the employment contract. Moreover, the Group regularly monitors information and data related to employment to prevent non-compliance with relevant rules and regulations.

Supply Chain Management

Although the business nature of the Group has no significant impact regarding environmental and social risks of the supply chain, the Group will continuously assess the business operation of the Group and reduce any possible impact of business operations on the environment and social.

Product Responsibilities

Maintaining high quality and standards of our products are crucial to the Group's sustainable development and are attributable to the Group's success. Therefore, maintaining consistency in quality and precision of our products are the Group's major priorities. The newly developed or updated software products of the Group are subject to quality tests performed by our quality assurance team before releasing to the public. The Group also provides after-sales services such as software upgrade and maintenance services, which mainly include software upgrades, email support, ticket support, remote trouble shooting, etc.

Not only is the Group on a quest for constantly delivering quality products and services to its clients, it also directs dedicated efforts to deal with complaints about its products and services. As a result, the Group has established procedures to handle complaints by appointing designated staff to investigate complaint cases and implement corrective measures, with a view to preventing the reoccurrence of similar complaints. During the year ended 31 December 2016, the Group was not aware of any material non-compliance with relevant standards, rules and regulations.

Environmental, Social and Governance Report

Anti-corruption

The Group does not tolerate any form of corruption. Code of conduct on security of information & records (the "Code of Conduct") are clearly defined and included in the "Employee Handbook". Employees should take all reasonable care to safeguard the security of the Group's confidential information, and should not disclose the Company's activities, policies and operations without prior approval. Employees are required to adhere to the Code of Conduct and are prohibited to accept gifts and minor refreshments from any person who has an influence on the employee's business behaviour. The Group has also established polices and procedures to deal with money laundering in its operation. During the year ended 31 December 2016, there were no complaints of corruption against the Group or any of its staff.

Community Investment

The Group carries out local community engagement and community activities based on local communities' needs. During the year ended 31 December 2016, the Group has set up Ahsay Backup Scholarship (the "Scholarship") and will donate a number of scholarships to the qualified full time undergraduates of The Chinese University of Hong Kong annually. The Scholarship aims to reward outstanding students and offer students summer internship opportunities to apply academic knowledge in their career interests.

Independent Auditor's Report

To the Shareholders of Ahsay Backup Software Development Company Limited
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ahsay Backup Software Development Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 55 to 105, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition	
We identified the revenue recognition as a key audit matter due to the complexity of the accounting policy for multiple element arrangements and the judgement made by the management associated with the determination of fair value of each of the elements in an arrangement. The accounting policy for multiple element arrangements are contained in note 4 to the consolidated financial statements. The sale of a software license right is packaged with free upgrade and maintenance service, which represents a multiple element arrangement. Fair value of each element is determined based on the current market price of each element when sold separately. The Group applied residual value method in estimating the stand-alone selling price with reference to the total contract consideration less the sum of the observable stand-alone selling prices of other elements.	Our procedures in relation to the revenue recognition included: • Evaluating the key controls related to revenue recognition on multiple element arrangements and the general controls of information technology; • Challenging the judgments and estimates made by the management in applying the residual value method and comparing the observable stand-alone selling prices with current market price; • Re-performing the management's calculations of revenue of each element using the residual value method; • Engaging our internal IT specialists to assess the online sales system and performing specific procedure on the automated controls within the online sales system with regard to the accuracy and classification of recording sale transactions; • Engaging our internal IT specialists to perform Computer Assisted Audit Techniques exercise to recalculate the sales amount of each sale transaction using the data extracted from the online sales system and agreeing to the total sales amount recorded in the accounting records; and • Testing the report generated from the online sales system against the available supporting documents.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Sunnie Sy.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Continuing operation			
Revenue	6	**54,912**	57,266
Cost of inventory sold		**(81)**	(352)
Other income	7	**548**	389
Other losses	8	**(17)**	(762)
Gain on disposal of property, plant and equipment	9	**–**	53,546
Staff costs and related expenses		**(47,986)**	(38,237)
Other expenses		**(17,557)**	(11,515)
Listing expenses		**–**	(15,235)
Finance costs	10	**(333)**	(914)
(Loss) Profit before tax from continuing operation		**(10,514)**	44,186
Income tax expense	11	**(587)**	(1,617)
(Loss) Profit for the year from continuing operation	13	**(11,101)**	42,569
Discontinued operation			
Profit for the year from discontinued operation	12	**–**	2,793
(Loss) Profit for the year		**(11,101)**	45,362
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of a foreign operation		**(17)**	(12)
Other comprehensive expense for the year		**(17)**	(12)
Total comprehensive (expense) income for the year		**(11,118)**	45,350
(Loss) Earnings per share			
From continuing and discontinued operations			
Basic (HK cents)	16	**(0.56)**	2.91
From continuing operation			
Basic (HK cents)	16	**(0.56)**	2.73

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,015**	604
Investment properties	18	**–**	–
Rental deposits paid	20	**470**	470
Deferred tax assets	25	**–**	305
		1,485	1,379
CURRENT ASSETS			
Inventories	19	**16**	34
Trade and other receivables	20	**4,640**	5,652
Tax recoverable		**890**	1,154
Bank balances and cash	21	**95,278**	104,311
		100,824	111,151
CURRENT LIABILITIES			
Other payables and accruals	22	**7,684**	6,800
Deposits and fees received in advance	23	**14,599**	13,361
Bank borrowings – due within one year	24	**8,724**	10,137
		31,007	30,298
NET CURRENT ASSETS		**69,817**	80,853
TOTAL ASSETS LESS CURRENT LIABILITIES		**71,302**	82,232
NON-CURRENT LIABILITIES			
Deposits and fees received in advance	23	**778**	868
Provision for long service payments		**540**	280
Deferred tax liability	25	**18**	–
		1,336	1,148
NET ASSETS		**69,966**	81,084
CAPITAL AND RESERVES			
Share capital	26	**20,000**	20,000
Reserves		**49,966**	61,084
		69,966	81,084

The consolidated financial statements on pages 55 to 105 were approved and authorised for issue by the Board of Directors on 17 March 2017 and are signed on its behalf by:

CHONG KING FAN
CHAIRMAN

CHONG SIU PUI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 January 2015	1,010	–	–	(6)	44,032	45,036
Profit for the year	–	–	–	–	45,362	45,362
Other comprehensive expense for the year						
Exchange difference arising on translation of a foreign operation	–	–	–	(12)	–	(12)
Total comprehensive income for the year	–	–	–	(12)	45,362	45,350
Issue of share capital by a subsidiary	190	–	–	–	–	190
Effects of group reorganisation (i)	(1,200)	–	995	–	–	(205)
Deemed capital contribution (ii)	–	–	3,102	–	–	3,102
Issue of shares (note 26)	5,000	95,000	–	–	–	100,000
Transaction costs attributable to issue of shares	–	(7,565)	–	–	–	(7,565)
Capitalisation issue (note 26)	15,000	(15,000)	–	–	–	–
Dividends declared (note 15)	–	–	–	–	(104,824)	(104,824)
At 31 December 2015	20,000	72,435	4,097	(18)	(15,430)	81,084
Loss for the year	–	–	–	–	(11,101)	(11,101)
Other comprehensive expense for the year						
Exchange difference arising on translation of a foreign operation	–	–	–	(17)	–	(17)
Total comprehensive expense for the year	–	–	–	(17)	(11,101)	(11,118)
As at 31 December 2016	20,000	72,435	4,097	(35)	(26,531)	69,966

i. As part of the Group Reorganisation (as defined in note 2), on 2 April 2015, Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, Mr. Chong Siu Ning (the "Controlling Shareholders") transferred their 100% equity interest in CloudBacko Corporation ("CloudBacko BVI") to Apex Ace Investments Limited ("Apex Ace"), a wholly owned subsidiary of the Company, for a consideration of HK$166,000. Further on 27 April 2015, the Controlling Shareholders transferred their 100% equity interest in Ahsay Service Centre Limited (Formerly known as CloudBacko Limited) ("ASCL") to Apex Ace for a consideration of HK$39,000. The difference between the total considerations paid amounting to HK$205,000 to the Controlling Shareholders and the share capital of CloudBacko BVI and ASCL of HK$200,000 is regarded as an equity movement, and recorded in "Capital reserve".

   Further on 5 May 2015, the Controlling Shareholders transferred their 100% equity interest in Ahsay Systems Corporation Limited ("Ahsay HK") to Alpha Heritage Holdings Limited ("Alpha Heritage"), a wholly owned subsidiary of the Company, for 1 ordinary share at par value of United States Dollar ("US$") 1.00 each in the share capital of Alpha Heritage. The difference between the par value of the share issued by Alpha Heritage of US$1.00 and the share capital of Ahsay HK of HK$1,000,000 is regarded as an equity movement, and recorded in "Capital reserve".

ii. Amount includes (i) deemed capital contribution from the shareholders of CloudBacko BVI with regard to waiver of amounts due to shareholders of HK$2,000,000 in March 2015 and (ii) deemed capital contribution of HK$1,102,000 from the Controlling Shareholders upon disposal of a subsidiary during the Group Reorganisation (note 12).

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
OPERATING ACTIVITIES		
(Loss) Profit for the year	**(11,101)**	45,362
Adjustments for:		
Income tax expenses	**587**	1,669
Gain on disposal of property, plant and equipment	**–**	(53,546)
Depreciation of property, plant and equipment	**311**	690
Increase in fair value of investment properties	**–**	(2,530)
Bank interest income	**(545)**	(20)
Interest income from related parties	**–**	(158)
Interest expenses	**333**	1,070
Operating cash flows before movements in working capital	**(10,415)**	(7,463)
Decrease (increase) in inventories	**18**	(34)
Decrease (increase) in trade and other receivables and rental deposits paid	**1,012**	(3,868)
Decrease in held for trading investments	**–**	6,811
Increase in other payable and accruals and rental deposits received	**884**	1,166
Increase in provision for long service payments	**260**	22
Increase (decrease) in deposits and fees received in advance	**1,148**	(2,230)
Cash (used in) operations activities	**(7,093)**	(5,596)
Income taxes paid	**–**	(3,321)
NET CASH USED IN OPERATING ACTIVITIES	**(7,093)**	(8,917)
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**–**	28,280
Proceeds from disposal of business	**–**	18,316
Purchase of property, plant and equipment	**(722)**	(448)
Proceeds from disposal of investment properties	**–**	6,400
Repayment of loan by a related party	**–**	13,187
Advances to related parties	**–**	(165)
Repayments by related parties	**–**	22,124
Bank interest income	**545**	20
Interest income from related parties	**–**	158
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(177)**	87,872

Consolidated Statement of Cash Flows

For the year ended 31 December 2016 (continued)

	2016 HK$'000	2015 HK$'000
FINANCING ACTIVITIES		
Interest paid	**(333)**	(1,070)
Dividends paid	**–**	(46,010)
Payment of acquisition of subsidiaries under reorganisation	**–**	(205)
Proceeds from issue of shares	**–**	100,000
Expenses on issue of shares	**–**	(7,565)
Bank borrowings raised	**–**	20,000
Repayment of bank borrowings	**(1,413)**	(48,443)
Advances from related parties	**–**	358
Repayments to related parties	**–**	(3,562)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,746)**	13,503
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(9,016)**	92,458
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**104,311**	11,865
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(17)**	(12)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**95,278**	104,311

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. General

The Company was incorporated in the Cayman Islands on 10 April 2015 as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were first listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 October 2015 (the "Listing").

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of online backup software solutions to clients via internet.

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

2. Group Reorganisation and Basis of Preparation of Consolidated Financial Statements

Pursuant to the group reorganisation as described below, the Company became the holding company of the companies now comprising the Group on 1 June 2015 (the "Group Reorganisation").

Prior to the Group Reorganisation, Ahsay HK, ASCL and CloudBacko BVI were owned by the Controlling Shareholders i.e. Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30% respectively. Ahsay Systems Corporation (Chongqing) Limited and Million Victory Investment Management Limited ("Million Victory") were the wholly owned subsidiaries of Ahsay HK.

In preparation for the listing of the Company's shares on the GEM of the Stock Exchange, the Group Reorganisation involved the following steps:

(1) On 10 March 2015, All Divine Investments Limited ("All Divine") and Alpha Heritage were incorporated as limited liability company in the British Virgin Islands ("BVI").

(2) On 11 March 2015, Able Future Investments Limited ("Able Future") and Apex Ace were incorporated as limited liability company in the BVI.

(3) On 25 March 2015, ten shares with a nominal value of US$1.00 per share of Able Future were allotted and issued as fully paid to the Controlling Shareholders. On the same day, Able Future subscribed for one share of All Divine at the subscription price of US$1.00. Further, All Divine subscribed for one share of Alpha Heritage at the subscription price of US$1.00 and Alpha Heritage subscribed for one share of Apex Ace at the subscription price of US$1.00.

(4) On 2 April 2015, the Controlling Shareholders transferred the entire equity interest in CloudBacko BVI to Apex Ace at the consideration of US$21,000 (equivalent to HK$166,000).

(5) On 9 April 2015, Ahsay HK disposed of the entire equity interest in Million Victory to Able Future at the consideration of HK$2,664,000. Able Future is not a company comprising the Group.

(6) On 10 April 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 38,000,000 shares at par value of HK$0.01 per share. On the same date, the Company allotted and issued one share to a third party initial subscriber which then transferred the share to All Divine.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

2. Group Reorganisation and Basis of Preparation of Consolidated Financial Statements (continued)

(7) On 27 April 2015, the Controlling Shareholders transferred the entire equity interest in ASCL to Apex Ace at the consideration of HK$39,000.

(8) On 5 May 2015, the Controlling Shareholders transferred the entire equity interest in Ahsay HK to Alpha Heritage in exchange for allotment and issue of one share of Alpha Heritage to All Divine.

(9) On 1 June 2015, All Divine transferred the entire equity interest in Alpha Heritage to the Company in exchange for allotment and issue of one share of the Company to All Divine.

(10) On 8 June 2015, Alpha Heritage transferred the entire equity interest in Apex Ace to the Company by way of distribution in specie.

Upon completion of the above steps, the Company was owned by the Controlling Shareholders through All Divine and the Company became the holding company of the companies now comprising the Group on 1 June 2015. The Group comprising the Company and its subsidiaries resulting from the Group Reorganisation is regarded as a continuing entity.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 31 December 2015 includes the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the period, or since their respective dates of incorporation when there is a shorter period, except for Million Victory which had been accounted for as a subsidiary since 1 January 2015 until the completion of its disposal on 9 April 2015.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 11	Accounting for Acquisitions of Interest in Joint Operations
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

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

HKFRS 9	Financial Instrument[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 7	Disclosure Initiative[4]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1 January 2018.

[2] Effective for annual periods beginning on or after 1 January 2019.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2017.

[5] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. All equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

HKFRS 9 *Financial Instruments* (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Directors do not anticipate that the application of the HKFRS 9 will have a material effect on the amounts recognised in the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

HKFRS 15 *Revenue from Contracts with Customers* (continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and financing/operating cash flows respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

3. Application of New and Revised Hong Kong Financial Reporting Standards (continued)

HKFRS 16 *Leases* (continued)

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$2,818,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.

The Directors do not anticipate that the application of the other new and revised standards and amendments issued but not yet effective will have a material effect on the amounts recognised in the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies

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

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except leasing transactions that are within the scope of HKAS 17 Leases and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

The Group's revenue includes, separately or in combination, revenues from software license sales and leasing, provision of software upgrades and maintenance services, sale of hardware devices and provision of other supporting services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Revenue recognition (continued)

Software license sales and sales of hardware devices

Revenue is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Provision of software upgrades and maintenance services and other services

Service revenue is recognised when services are provided.

Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase license right of software together with certain of the related implementation services or other services as discussed above. When such multiple element arrangements exist, the total consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. Revenue relating to sales of goods or the service elements are recognised in profit or loss according to the policies set out above.

Where the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group estimates the stand-alone selling price by reference to the total contract consideration less the sum of the observable stand-alone selling prices of other elements.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such exchange differences accumulated in equity are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

Borrowing costs directly attributable to the acquisition of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values. All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are classified and accounted for as investment properties and are measured using the fair value model. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of production and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'other losses'.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including rental deposits paid, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to receive cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial liability and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees, points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issued costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. Critical Accounting Judgement

In the application of the Group's accounting policies, which are described in note 4, the Directors have made the following critical judgement that have significant effect on the amounts recognised in the financial statements.

Multiple element arrangements

Under the Group's multiple element arrangements, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. As the Group is unable to determine the fair value of each of the elements in an arrangement, it uses the residual value method. Under this method, the Group estimates the stand-alone selling price by reference to the total contract consideration less the sum of the observable stand-alone selling prices of other elements. The Group is required to exercise judgement in revenue recognition particularly in the fair value of each element in the arrangement. Significant changes in management judgement may result in material revenue adjustments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

6. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision maker ("CODM"), for the purpose of resource allocation and assessment of segment performance focuses on types of goods or service delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's operating segments under HKFRS 8 Operating Segments are as follows:

Online backup software and other services segment	–	Software license sales and leasing, provision of software upgrades and maintenance services, sales of hardware devices, and provision of other services
Information sharing services segment	–	Provision of information sharing services

During the year ended 31 December 2016, the Group started a new segment of information sharing services. Such segment is engaged in provision of information sharing services in Hong Kong, using an online smartphone platform.

Segment revenue and result

The Group's revenue represents the amount received and receivable for the software license sales and leasing, provision of software upgrades and maintenance services, sales of hardware devices, provision of information sharing services and other services during the year, net of discounts and sales related taxes.

Segment results represent the profit earned by each segment without allocation of other income, other losses, gain on disposal of property, plant and equipment and listing expenses that are not directly attributable to segments as disclosed in the below table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by reportable and operating segment of online backup software services and information sharing services:

For the year ended 31 December 2016

	Online backup software and other services HK$'000	Information sharing services HK$'000	Total HK$'000
Segment revenue – External			
Software license sales and leasing	**31,707**	**–**	**31,707**
Software upgrades and maintenance services fee	**21,937**	**–**	**21,937**
Other services fee	**1,168**	**–**	**1,168**
Sale of hardware devices	**99**	**–**	**99**
Information sharing services income	**–**	**1**	**1**
Total revenue from continuing operation	**54,911**	**1**	**54,912**
Segment results	**(8,371)**	**(2,674)**	**(11,045)**
Unallocated incomes and expenses			
Other income			**548**
Other losses			**(17)**
Loss before tax from continuing operation			**(10,514)**

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6. Revenue and Segment Information (continued)

Segment revenue and result (continued)

For the year ended 31 December 2015

	Online backup software and other services HK$'000	Information sharing services HK$'000	Total HK$'000
Segment revenue – External			
Software license sales and leasing	33,803	–	33,803
Software upgrades and maintenance services fee	21,612	–	21,612
Other services fee	1,377	–	1,377
Sale of hardware devices	474	–	474
Information sharing services income	–	–	–
Total revenue from continuing operation	57,266	–	57,266
Segment results	6,248	–	6,248
Unallocated incomes and expenses			
Other income			389
Other losses			(762)
Gain on disposal of property, plant and equipment			53,546
Listing expenses			(15,235)
Profit before tax from continuing operation			44,186

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

At 31 December 2016

	Online backup software and other services HK$'000	**Information sharing services HK$'000**	**Total HK$'000**
Reportable segment assets			
Segment assets	**6,035**	**106**	**6,141**
Reconciliation:			
Unallocated assets			
Tax recoverable			**890**
Bank balances and cash			**95,278**
Consolidated Total assets			**102,309**
Reportable segment liabilities			
Segment liabilities	**31,989**	**354**	**32,343**
Consolidated liabilities			**32,343**

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6. Revenue and Segment Information (continued)

Segment assets and liabilities (continued)

At 31 December 2015

	Online backup software and other services HK$'000	Information sharing services HK$'000	Total HK$'000
Reportable segment assets			
Segment assets	7,065	–	7,065
Unallocated assets			
Tax recoverable			1,154
Bank balances and cash			104,311
Consolidated assets			112,530
Reportable segment liabilities			
Segment liabilities	31,446	–	31,446
Consolidated liabilities			31,446

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

- all assets are allocated to operating segments other than tax recoverable and bank balances and cash that are not attributable to respective segment.
- all liabilities are allocated to operating segments.

Non-current assets by geographical location

The Group's operations are substantially based in Hong Kong and all of its non-current assets as at 31 December 2016 and 2015 are located in Hong Kong, the principal place of business of the Group. Therefore, no further analysis of geographical information is presented.

Revenue by geographical location

An analysis of the Group's revenue from external customers by geographical location, determined based on the location of the customers are detailed below:

	2016 HK$'000	2015 HK$'000
United States	**8,656**	11,555
United Kingdom (Note i)	**5,804**	N/A
Others (Note ii)	**40,452**	45,711
	54,912	57,266

Note i: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2015.

Note ii: Including other countries which individually contributing less than 10% of the total revenue of the Group for each respective year.

Information about major customers

There was no single customer contributing over 10% of the total revenue of the Group in both years.

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For the year ended 31 December 2016

7. Other Income

	2016	2015
	HK$'000	HK$'000
Continuing operation:		
Interest income from related parties	**–**	158
Bank interest income	**545**	20
Others	**3**	211
	548	389

8. Other Losses

	2016	2015
	HK$'000	HK$'000
Continuing operation:		
Decrease in fair value of held for trading investments	**–**	(757)
Foreign exchange losses, net	**(17)**	(5)
	(17)	(762)

9. Gain on Disposal of Property, Plant and Equipment

As part of the Group Reorganisation, Ahsay HK disposed of certain leasehold land and buildings to Assets Sino Investments (HK) Limited, a related company under common control of the Controlling Shareholders, for a consideration of HK$81,900,000 in June 2015.

The fair value of such leasehold land and buildings at date of disposal has been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle"), an independent qualified professional valuer not connected with the Group.

Jones Lang LaSalle is a registered firm of the Hong Kong Institute of Surveyors and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in similar location and conditions.

The carrying value of the leasehold land and buildings immediately before disposal was approximately HK$28,354,000. Gain on disposal of property, plant and equipment of approximately HK$53,546,000 was recognised during the year ended 31 December 2015.

Payment of consideration amounting of HK$28,280,000 was made in cash and the remaining HK$53,620,000 was settled through current account. During the year ended 31 December 2015, the Company declared a dividend of HK$53,620,000 in form of distribution in specie of receivable from the related party under common control of the Controlling Shareholders be payable to its holding company (note 15).

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10. Finance Costs

	2016 HK$'000	2015 HK$'000
Continuing operation:		
Interests on bank loans	**333**	914

11. Income Tax Expense

	2016 HK$'000	2015 HK$'000
Continuing operation:		
Current tax:		
Hong Kong Profits Tax	–	2,330
Under-provision (over-provision) in prior years:		
Hong Kong Profits Tax	**264**	(30)
	264	2,300
Deferred tax (Note 25)	**323**	(683)
	587	1,617

The Group is not subject to any income tax in the Cayman Islands and the BVI pursuant to the rules and regulations in those jurisdictions.

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both years.

Under the Law of People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25% for both years.

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11. Income Tax Expense (continued)

The tax expense for the year can be reconciled to the (loss) profit before tax from continuing operation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2016	2015
	HK$'000	HK$'000
(Loss) Profit before tax	**(10,514)**	44,186
Tax at the Hong Kong Profits Tax rate of 16.5%	**(1,735)**	7,291
Tax effect of expenses not deductible for tax purpose	**366**	2,642
Tax effect of income not taxable for tax purposes	**(91)**	(8,394)
Tax effect of tax losses not recognised	**1,783**	182
Under-provision (over-provision) in prior years	**264**	(30)
Others	**–**	(74)
Tax expense for the year	**587**	1,617

12. Discontinued Operation/Disposal of a Subsidiary and an Investment Property

Disposal of business through disposal of a subsidiary and an investment property

The Group's properties investment business mainly comprised the investment properties owned by Million Victory and Ahsay HK for the purpose of capital appreciation and rental earnings.

As part of the Group Reorganisation, the Group disposed of the Group's properties investment business to several related parties that are under common control of the Controlling Shareholders. In April 2015, the entire equity interest in Million Victory, a subsidiary of the Group, was disposed to Able Future, for a consideration of HK$2,664,000 and resulted a deemed capital contribution amounting to approximately HK$1,102,000. Further in June 2015, an investment property owned by Ahsay HK was disposed to Atlantic Sky Global (HK) Limited, a related company controlled by the Controlling Shareholders, for a consideration of HK$20,960,000 and no gain or loss was resulted.

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For the year ended 31 December 2016

12. Discontinued Operation/Disposal of a Subsidiary and an Investment Property (continued)

Analysis of disposal of a subsidiary

The major classes of assets and liabilities of Million Victory at the date of disposal are as follow:

	At the date of disposal HK$'000
Investment properties	22,870
Deposits paid, prepayments and other receivables	6
Income tax recoverable	10
Deferred tax assets	17
Cash and bank balances	114
	23,017
Bank borrowings	(7,328)
Amount due to a group company	(13,475)
Deposits received, accruals and other payables	(652)
	(21,455)
Net assets disposed	1,562
Total consideration	2,664
Deemed capital contribution arising from disposal of a subsidiary	1,102

Analysis of consideration regarding disposal of properties investment business

	HK$'000
Consideration:	
Cash received	18,430
Receivables from acquirers (Note)	5,194
Total consideration	23,624

Note: For the year ended 31 December 2015, the Company declared a dividend of HK$5,194,000 in form of distribution in specie of receivables from the related parties under common control of the Controlling Shareholders be payable to its holding company (note 15).

	HK$'000
Net cash inflow upon disposal	
Cash received	18,430
Less: bank balances and cash disposed	(114)
Net cash inflow	18,316

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12. Discontinued Operation/Disposal of a Subsidiary and an Investment Property (continued)

Analysis of profit for the year from discontinued operation

The results of the discontinued operation included in the profit for the year ended 31 December 2015 are set out below:

	2015 HK$'000
Profit for the year from discontinued operation	
Rental income	580
Change in fair value of investment properties	2,530
Administrative expenses	(109)
Interest on bank borrowings	(156)
Profit before tax	2,845
Income tax expenses	(52)
Profit for the year from discontinued operation	2,793
Profit for the year from discontinued operation includes the following	
Auditor's remuneration	3
Minimum lease receipts under operating leases during the year in respect of the Group's investment properties	580
Cash flows from discontinued operation	
Net cash flows from (used in)	
operating activities	981
investing activities	6,400
financing activities	(7,179)
Net cash inflow	202

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13. (Loss) Profit for the Year from Continuing Operation

	2016 HK$'000	2015 HK$'000
(Loss) Profit for the year from continuing operation has been arrived at after charging (crediting):		
Directors' emoluments (note 14)	**8,703**	8,872
Other staff costs		
– Salaries, allowances and benefits in kind and performance and other bonus	**34,217**	27,052
– Retirement benefits scheme contribution, excluding directors	**1,222**	844
Long-term employee benefit expenses	**801**	290
Total directors and staff costs	**44,943**	37,058
Staff related expenses	**3,043**	1,179
Staff costs and related expenses	**47,986**	38,237
Auditor's remuneration	**1,550**	1,250
Advertising and marketing expenses (included in other expenses)	**3,742**	3,414
Legal and professional fees (included in other expenses)	**2,805**	718
Depreciation of property, plant and equipment	**311**	690

Note: The Group's research and development expenditure incurred and recognised as expense during the year are mainly employee related costs. In the opinion of the Directors, the employees who are engaged in research and development activities are also responsible for provision of maintenance services to the existing customers of the Group in daily operation. During the year, the total staff costs attributable to these employees who performed the above functions were approximately HK$13,676,000 (2015: HK$11,658,000). Given there is no reliable basis to allocate these staff costs directly attributable to research and development activities, any arbitrary allocation of such expense for disclosure of research and development expense is considered misleading.

14. Directors' and Chief Executive's Emoluments and Employees Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the GEM Listing Rules and the disclosure requirement of Hong Kong Companies Ordinance, is as follows:

Directors' and chief executive's emoluments

	2016 HK$'000	2015 HK$'000
Directors' fee	**1,400**	525
Salaries, allowances and benefits in kind	**6,717**	6,850
Performance and other bonus	**542**	1,450
Retirement benefits scheme contribution	**44**	47
	8,703	8,872

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14. Directors' and Chief Executive's Emoluments and Employees Remuneration (continued)

Directors' and chief executive's emoluments (continued)

	For the year ended 31 December 2016				
	Directors' fee HK$'000	Salaries' allowances and benefits in kind HK$'000	Performance and other bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
(A) Executive directors					
Chong King Fan (Note i)	200	480	40	–	720
Chong Siu Pui (Note i & ii)	200	2,880	240	18	3,338
Chong Siu Ning (Note i)	200	3,152	245	18	3,615
Chong Siu Fan (Note iii)	200	205	17	8	430
	800	6,717	542	44	8,103
(B) Independent non-executive directors					
Wong Cho Kei, Bonnie (Note iv)	200	–	–	–	200
Wong Pui Man (Note iv)	200	–	–	–	200
Wong Yau Sing (Note iv)	200	–	–	–	200
	600	–	–	–	600
Total directors' emoluments	1,400	6,717	542	44	8,703

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14. Directors' and Chief Executive's Emoluments and Employees Remuneration (continued)

Directors' and chief executive's emoluments (continued)

	For the year ended 31 December 2015				
	Directors' fee HK$'000	Salaries' allowances and benefits in kind HK$'000	Performance and other bonus HK$'000	Retirement benefits scheme contribution HK$'000	Total HK$'000
(A) Executive directors					
Chong King Fan (Note i)	46	1,030	80	–	1,156
Chong Siu Pui (Note i & ii)	46	2,880	680	18	3,624
Chong Siu Ning (Note i)	46	2,940	690	18	3,694
	138	6,850	1,450	36	8,474
(B) Non-executive director					
Chong Siu Fan (Note iii)	249	–	–	11	260
(C) Independent non-executive directors					
Wong Cho Kei, Bonnie (Note iv)	46	–	–	–	46
Wong Pui Man (Note iv)	46	–	–	–	46
Wong Yau Sing (Note iv)	46	–	–	–	46
	138	–	–	–	138
Total directors' emoluments	525	6,850	1,450	47	8,872

Note: The executive directors', non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes:

i) Mr. Chong King Fan, Mr. Chong Siu Pui and Mr. Chong Siu Ning were appointed as executive directors of the Company on 10 April 2015.

ii) Mr. Chong Siu Pui is also the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive.

iii) Ms. Chong Siu Fan was appointed as non-executive director of the Company on 9 June 2015 and re-designated from non-executive Director to executive Director on 28 July 2016. The emoluments disclosed above included those services rendered by her as the non-executive director and executive director.

iv) Mr. Wong Cho Kei, Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing were appointed as independent non-executive directors of the Company on 4 September 2015.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

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14. Directors' and Chief Executive's Emoluments and Employees Remuneration (continued)

Employees' remuneration

The five highest paid individuals of the Group with the highest emoluments include two directors for the years ended 31 December 2016 (2015: two), details of their emoluments are set out above. The remunerations for the remaining three individuals for the year ended 31 December 2016 (2015: three individuals) are as follows:

	2016 **HK$'000**	2015 HK$'000
Salaries, allowances and benefits in kind	**3,132**	2,959
Performance and other bonus	**261**	2,943
Retirement benefits scheme contribution	**54**	51
	3,447	5,953

The emoluments of the highest paid individuals fell within the following band:

	No. of employees	
	2016	2015
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**2**	–
HK$1,500,001 to HK$2,000,000	**–**	2
HK$2,000,001 to HK$2,500,000	**–**	1
	3	3

For the year ended 31 December 2016, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Dividends

	2016 **HK$'000**	2015 HK$'000
Dividends declared and paid/payable to shareholders	**–**	104,824

Prior to the Group Reorganisation, Ahsay HK declared and paid interim dividends in aggregate of HK$46,010,000 to the Controlling Shareholders for the year ended 31 December 2015. In the same year, the Company declared dividends of HK$58,814,000 in form of distribution in specie of receivables from the related parties under common control of the Controlling Shareholders be payable to its holding company as set out in notes 9 and 12. The Directors did not recommend a payment of final dividend for the year ended 31 December 2015.

No dividend was paid or proposed for ordinary shareholders of the Company during 2016, nor has any dividend been proposed since the end of the reporting period.

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16. (Loss) Earnings Per Share

As of 31 December 2016, the Company has 2,000,000,000 ordinary shares in issue. The Company was listed on the GEM on 8 October 2015 by way of placing of 500,000,000 ordinary shares and capitalisation of 1,499,999,998 shares, resulting in 2,000,000,000 ordinary shares in issue. The calculation of the basic (loss) earnings per share attributable to the owners of the Company from continuing operation is based on the following data:

	2016	2015
	HK$'000	HK$'000
(Loss) Earnings		
(Loss) Earnings for the purpose of basic earnings per share		
(Loss) profit for the year attributable to the owners of the Company	**(11,101)**	45,362
Less: Profit for the year from discontinued operation	**N/A**	(2,793)
(Loss) earnings for the purpose of basic earnings per share from continuing operation	**(11,101)**	42,569

	2016	2015
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,000,000**	1,556,507

Basic earnings per share for the discontinued operation for the year ended 31 December 2015 is 0.18 HK cent per share.

The number of ordinary shares for the purpose of calculating basic earnings per share has been retrospectively adjusted for the capitalisation issue of the shares of the Company completed on 8 October 2015 and assuming the Group Reorganisation had been effective on 1 January 2014.

No diluted earnings per share was presented as there was no potential ordinary share outstanding during both years.

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17. Property, Plant And Equipment

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST					
At 1 January 2015	33,451	2,905	4,610	–	40,966
Additions	–	–	448	–	448
Written off	–	–	(102)	–	(102)
Disposal (note 9)	(33,451)	–	–	–	(33,451)
At 31 December 2015	–	2,905	4,956		7,861
Additions	–	200	371	151	722
Written off	–	–	(394)	–	(394)
At 31 December 2016	–	3,105	4,933	151	8,189
ACCUMULATED DEPRECIATION					
At 1 January 2015	4,727	2,771	4,268	–	11,766
Provided for the period	370	106	214	–	690
Written off	–	–	(102)	–	(102)
Eliminated on disposal (note 9)	(5,097)	–	–	–	(5,097)
At 31 December 2015	–	2,877	4,380	–	7,257
Provided for the year	–	29	266	16	311
Written off	–	–	(394)	–	(394)
At 31 December 2016	–	2,906	4,252	16	7,174
CARRYING VALUES					
At 31 December 2016	–	199	681	135	1,015
At 31 December 2015	–	28	576	–	604

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17. Property, Plant And Equipment (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Leasehold land and buildings in Hong Kong	Over the lease term or 40 years, whichever is shorter
Leasehold improvements	5 years
Furniture, fixtures and equipment	3 to 4 years
Motor vehicle	3 to 4 years

The Group's leasehold land and buildings are held under medium-term lease in Hong Kong.

18. Investment Properties

	2016 **HK$'000**	2015 HK$'000
Balance at the beginning of the year	**–**	47,700
Disposal	**–**	(50,230)
Change in fair value of investment properties (included in discontinued operation) (note 12)	**–**	2,530
	–	–

The investment properties had been disposed to several related parties under the Group's reorganisation during the year ended 31 December 2015 as set out in note 12.

19. Inventories

	2016 **HK$'000**	2015 HK$'000
Finished goods	**16**	34

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20. Trade and Other Receivables/Rental deposits paid

	2016	2015
	HK$'000	HK$'000
Current assets		
Trade receivables – aged within 30 days	**2,730**	4,630
Rental and utilities deposits	**240**	112
Prepaid operating expenses and other receivables	**1,670**	910
Total	**4,640**	5,652
Non-current asset		
Rental deposits paid	**470**	470

The Group's trade receivables consist of receivables from customers and credit card companies. The Group's sales are generally made through internet when deposits and payment is normally required before delivery of software licenses and hardware product and provision of services. For certain type of license sales which charge the customers monthly license fees on a pay-as-you-go basis, the Group offers a credit period of 30 days to these customers.

For credit terms reviews of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit initially granted up to the end of the reporting period.

In order to minimise credit risk, the Directors have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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21. Bank Balances and Cash

Bank balances carry interest at market rates which ranged from 0.01% to 0.55% (31 December 2015: 0.01% to 0.3%), per annum as at 31 December 2016.

22. Other payables and Accruals

	2016	2015
	HK$'000	HK$'000
Current liabilities		
Accrued staff costs and related expenses	**4,554**	4,810
Accrued operating expenses	**3,130**	1,990
Total	**7,684**	6,800

23. Deposits and Fees Received in Advance

	2016	2015
	HK$'000	HK$'000
Trade deposits from customers	**2,020**	1,008
Software upgrades and maintenance services fees received in advance	**13,216**	13,096
Other service fees received in advance	**141**	125
	15,377	14,229
Less: non-current portion	**(778)**	(868)
Current portion	**14,599**	13,361

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24. Bank Borrowings

	2016	2015
	HK$'000	HK$'000
Unsecured bank borrowings at variable rate	**8,724**	10,137
Carrying amount repayable (according to scheduled repayment term):		
– Within one year	**1,464**	1,413
– More than one year, but not exceeding two years	**1,516**	1,464
– More than two years, but not more than five years	**4,878**	4,711
– More than five years	**866**	2,549
	8,724	10,137
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	**8,724**	10,137

The range of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	2016	2015
Effective interest rate (per annum):		
Variable-rate borrowings	**3.50%**	3.50%

At the end of the reporting period, the Group has the following undrawn variable-rate borrowing and overdraft facilities:

	2016	2015
	HK$'000	HK$'000
Expiry within one year	**2,400**	12,800

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25. Deferred Tax Liability/Assets

The following are the major deferred tax liability and assets recognised and movements thereon during the current and prior years:

	Unrealised fair value gains on held for trading investments HK$'000	Accelerated (decelerated) tax depreciation HK$'000	Total HK$'000
At 1 January 2015	397	(19)	378
Credit to profit or loss	(397)	(303)	(700)
Derecognised upon disposal of discontinued Operation (note 12)	–	17	17
At 31 December 2015	–	(305)	(305)
Charge to profit or loss	–	323	323
At 31 December 2016	**–**	**18**	**18**

As at 31 December 2016, the Group had unused tax losses and deductible temporary differences of approximately HK$13,485,000 (2015: HK$2,679,000) and HK$1,694,000 (2015: HK$1,846,000), respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such losses (2015: Nil) and deductible temporary difference (2015: HK$305,000) due to the unpredictability of future profit streams. The tax losses arising from a PRC subsidiary of HK$104,000 as at 31 December 2016 (2015: HK$87,000) can be carried forward for five years from the year of origination. Other tax losses may be carried forward indefinitely.

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26. Share Capital

The movements in the Company's authorised and issued ordinary share capital are as follows:

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
On date of incorporation on 10 April 2015	38,000,000	380
Increase on 9 September 2015	9,962,000,000	99,620
At 31 December 2015 and 2016	10,000,000,000	100,000
Issued:		
1 share allotted and issued, fully paid at par on the date of incorporation	1	–
Issue of shares on 1 June 2015 pursuant to the Group Reorganisation	1	–
Issue of shares (Note i)	500,000,000	5,000
Capitalisation issue (Note ii)	1,499,999,998	15,000
At 31 December 2015 and 2016	2,000,000,000	20,000

Notes:

i) On 8 October 2015, the Company placed 500,000,000 new shares at HK$0.20 per share for a total gross proceeds of approximately HK$100,000,000.

ii) On 8 October 2015, the Company allotted and issued a total of 1,499,999,998 ordinary shares of HK$0.01 each, credited as fully paid at par, by way of capitalisation of the sum of HK$15,000,000 (the "Capitalisation") standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 1,499,999,998 ordinary shares for allotment and issue to All Divine.

27. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 24, net of cash and cash equivalents and equity.

The Directors review the capital structure from time to time. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, the issue of new shares, new debts or the redemption of existing debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. Financial Instruments

a. Categories of financial instruments

	2016 HK$'000	2015 HK$'000
Continuing operation:		
Financial assets		
Loans and receivables (including cash and cash equivalent)	**98,979**	109,523
	98,979	109,523
Financial liabilities		
Amortised cost	**8,724**	10,137

b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, rental deposits paid, bank balances and cash, and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, foreign currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Directors manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risks

The Group's activities expose it primarily to the financial risks of changes in interest rates, foreign currency exchange rates and equity prices. Details of each type of market risks are described as follows:

(i) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank balances. The Group does not have any interest rate hedging policy. However, the management monitors the related interest rate risk exposure closely and will consider hedging the interest rate risk exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prime rates of relevant banks arising from the Group's bank borrowings and bank balances.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk management (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming amounts of these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease in the prime rates of relevant banks is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit from continuing operation for the year would decrease/increase by approximately HK$44,000 (2015: decrease/increase by approximately HK$42,000).

If interest rates had been 50 basis points higher/lower for variable rate bank balances, with all other variables held constant, the Group's post-tax profit from continuing operation would increase/decrease by approximately HK$476,000 (2015: increase/decrease by approximately HK$521,000).

(ii) Foreign currency risk

The Group undertakes certain operating transactions in foreign currency, which expose the Group to foreign currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The Directors manages its currency risk by closely monitoring the movement of the foreign currency exchange rates and considering hedging significant foreign currency exposure should such need arises.

The carrying amounts of the Group's foreign currencies denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
US$	**556**	**–**	585	–

Sensitivity analysis

The Group is mainly exposed to the risk of fluctuation against US$. As HK$ is pegged with US$ under Linked Exchange Rate System, the Group's exposure to US$ exchange risk is minimal and no sensitivity analysis is presented accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the Directors to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Directors monitor the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 December 2016, the Group has available short-term bank loan facilities of approximately HK$8,724,000 (31 December 2015: HK$10,137,000). Details of which are set out in note 24.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2016							
Non-derivative financial liabilities							
Bank borrowing	**3.50**	**8,724**	**–**	**–**	**–**	**8,724**	**8,724**
As at 31 December 2015							
Non-derivative financial liabilities							
Bank borrowings	3.50	10,137	–	–	–	10,137	10,137

Bank loans with a repayment on demand clause are included in the "repayable on demand or less than 1 year" time band in the above maturity analysis. As the end of the reporting period, the aggregate principal amounts of these bank borrowings amounted to HK$8,724,000 (2015: HK$10,137,000). Taking into account the Group's financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

28. Financial Instruments (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Maturity Analysis – Bank loans with prepayment on demand clause based on scheduled payments

	Less than 1 year HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2016	**1,746**	**1,746**	**5,237**	**875**	**9,604**	**8,724**
As at 31 December 2015	1,746	1,746	5,237	2,620	11,349	10,137

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Group's credit risk is primarily attributable to its trade receivables and bank balances. The Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

As at 31 December 2016 and 2015, there was no single customer contributing over 10% of the total trade receivables of the Group.

The Group has concentration of credit risk as 97% (31 December 2015: 68%) of the total cash and bank balances was held by the Group's largest bank which was located in Hong Kong. The credit risk on bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

29. Commitments

Operating commitments

The Group as lessee

	2016 HK$'000	2015 HK$'000
Minimum lease payments made under operating leases during the year in respect of premises	**2,817**	2,006

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016 HK$'000	2015 HK$'000
Within one year	**2,818**	2,817
In the second to third year inclusive	**–**	2,818
	2,818	5,635

Operating lease payments represent rentals payable by the Group for certain of its premises. Leases are negotiated and rentals are fixed for one to three years.

30. Retirement Benefit Scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is HK$1,250 per month before 1 June 2014, and increased to HK$1,500 per month effective from 1 June 2014. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately HK$1,266,000 (2015: HK$891,000).

31. Major Non-Cash Transaction

For the year ended 31 December 2015, the Company declared dividends of HK$58,814,000 in form of distribution in specie of receivables from the related parties under common control of the Controlling Shareholders be payable to its holding company as mentioned in notes 9 and 12 above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

32. Related Party Transactions

(a) Transactions with related parties:

The Group entered into the following significant transactions with related parties during the year:

Name of related company	Nature of transactions	2016 HK$'000	2015 HK$'000
Million Trader Enterprises (Hong Kong) Limited	Interest income received	–	110
Ahsay Corporation Limited	Rental expenses paid	–	550
	Motor vehicle rental expenses paid	–	60
Assets Sino Investments (HK) Limited*	Rental expenses paid	**2,817**	1,456
Sau King Investments Limited*	Interest income received	–	48

* Assets Sino Investments (HK) Limited and Sau King Investments Limited are under common control of certain directors of the Company, and hence, they are related parties of the Group.

(b) Compensation of key management personnel:

The remuneration of key management, excluding all Directors and chief executive whose emoluments have been set out in note 14, during the year is as follows:

	2016 HK$'000	2015 HK$'000
Short-term benefits	**2,470**	4,170
Post-employment benefits	**36**	33
	2,506	4,203

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

33. Particulars of Subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/registered capital	Equity interest attributable to the Group		Principal activities
			2016	**2015**	
Ahsay HK	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Investment holding and provision of online backup software solution to clients via internet
亞勢軟件（重慶)有限公司 Ahsay Systems Corporation (Chongqing) Limited	The People's Republic of China	Registered capital RMB100,000	**100%**	100%	Sale of software
Alpha Heritage	BVI	Ordinary shares US$1	**100%***	100%*	Investment holding
Apex Ace	BVI	Ordinary shares US$1	**100%***	100%*	Investment holding
ASCL	Hong Kong	Ordinary shares HK$200,000#	**100%**	100%	Provision of online backup software solution service
CloudBacko BVI	BVI	Ordinary shares US$10	**100%**	100%	Provision of online backup software solution to clients via internet
HEKMAN LIMITED	BVI	Ordinary shares US$10	**100%**	N/A	Investment holding
KINTIPS LIMITED	Hong Kong	Ordinary shares HK$580,000	**100%**	N/A	Provision of information sharing services

* Except for these subsidiaries which are directly held by the Company, the other subsidiaries are indirectly held subsidiaries of the Company.

As at 31 December 2015, 190,000 additional shares were issued for HK$190,000. Upon the issuance of the additional shares, the issued share capital of ASCL became HK$200,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

34. Financial Information of the Company

Assets and Liabilities

	2016	2015
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**–**	–
CURRENT ASSET		
Amount due from a subsidiary	**200**	–
Receivables, deposits and prepayments	**62**	–
Bank balances and cash	**82,379**	87,098
CURRENT LIABILITY		
Amount due to a subsidiary	**5,018**	9,868
NET CURRENT ASSETS	**77,623**	77,230
NET ASSETS	**77,623**	77,230
CAPITAL AND RESERVES		
Share Capital	**20,000**	20,000
Reserves	**57,623**	57,230
	77,623	77,230

Reserves

	Share premium	**Accumulated profits (losses)**	**Total**
	HK$'000	**HK$'000**	**HK$'000**
At 10 April 2015 (date of incorporation)	–	–	–
Profit for the year and other comprehensive income	–	40,945	40,945
Issue of shares	95,000	–	95,000
Transaction costs attributable to issue of shares	(7,565)	–	(7,565)
Capitalisation issue	(15,000)	–	(15,000)
Dividends declared	–	(56,150)	(56,150)
At 31 December 2015	72,435	(15,205)	57,230
Profit for the year and other comprehensive income	–	393	393
At 31 December 2016	72,435	(14,812)	57,623

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the four years ended 31 December, as extracted from the audited consolidated financial statements in this annual report and the Prospectus is set out below:

	Year ended 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Results				
Revenue	**54,912**	57,266	53,973	58,064
Net (loss) profit for the year (before listing expenses, one-off gain on disposal of property, plant and equipment and net profit from discontinued operation)	**(11,101)**	4,258	14,697	16,009
Listing expenses	**–**	(15,235)	–	–
Gain on disposal of property, plant and equipment	**–**	53,546	–	–
Net profit from discontinued operation	**–**	2,793	3,770	13,015
Net (loss) profit for the year	**(11,101)**	45,362	18,467	29,024

	As at 31 December			
	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities				
Total assets	**102,309**	112,530	119,734	166,437
Total liabilities	**(32,343)**	(31,446)	(74,698)	(118,272)
Total equity	**69,966**	81,084	45,036	48,165

Note:

The summary of the consolidated results of the Group for each of the two years ended 31 December 2013 and 2014 and of the assets, liabilities and equity as at 31 December 2013 and 2014 have been extracted from the Prospectus.

The summary above does not form part of the audited consolidated financial statements.