



**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

# PLACING

*Sole Sponsor*



*Sole Bookrunner*



*Joint Lead Managers*



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## IMPORTANT

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*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



### 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)*

#### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 500,000,000 Shares  
Placing Price : HK\$0.20 per Placing Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)  
Nominal value : HK\$0.01 per Share  
Stock code : 8290

#### **Sole Sponsor**



建泉環球金融服務有限公司  
V Baron Global Financial Services Limited

#### **Sole Bookrunner**

平安證券有限公司  
Ping An Securities Limited

#### **Joint Lead Managers**

平安證券有限公司  
Ping An Securities Limited



建泉環球金融服務有限公司  
V Baron Global Financial Services Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection – Documents Delivered to the Registrar of Companies” in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

**Prior to making investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed “Risk Factors” in this prospectus.**

Prospective investors of the Placing Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) are entitled to terminate the Underwriting Agreement by giving a notice in writing to our Company if certain circumstances arise prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Such circumstances are set out in the section headed “Underwriting – Underwriting Arrangements and Expenses – Grounds for termination” in this prospectus. It is important that you carefully read such section for further details.

25 September 2015

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## CHARACTERISTICS OF GEM

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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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Announcement of the level of indication of interest in the Placing to be published	
(a) on the Stock Exchange's website at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> ; and	
(b) on our Company's website at <a href="http://www.ahsay.com.hk">www.ahsay.com.hk</a> on or before .....	Wednesday, 7 October 2015
Allotment of the Placing Shares to placees on or before .....	Wednesday, 7 October 2015
Deposit of share certificates for the Placing Shares into CCASS on or before <sup>(Note 2)</sup> .....	Wednesday, 7 October 2015
Dealings in the Shares on GEM to commence at 9:00 a.m. on <sup>(Note 3)</sup> .....	Thursday, 8 October 2015 <sup>(Note 4)</sup>

*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated.
- (2) The share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before Wednesday, 7 October 2015 for credit to the relevant CCASS Participants' or the CCASS Investor Participants' stock accounts designated by the Sole Bookrunner (for itself and on behalf of the Underwriters), the placees or their respective agents (as the case may be). No temporary documents or evidence of title will be issued.
- (3) For details of the structure of the Placing, including the conditions thereof, please refer to the section headed "Structure and Conditions of the Placing" in this prospectus.
- (4) If there is any change of the above expected timetable, a separate announcement will be made by our Company on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.ahsay.com.hk](http://www.ahsay.com.hk).
- (5) Share certificates for the Placing Shares will only become valid certificates of title provided that (a) the Placing has become unconditional in all respects; and (b) the Underwriting Agreement has not been terminated in accordance with its terms prior to 8.00 am on the Listing Date. If the Placing does not become unconditional or the Underwriting Agreement is terminated in accordance with its terms, our Company will make an announcement as soon as possible.

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## CONTENTS

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*You should rely only on the information contained in this prospectus to make your investment decision.*

*Our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.*

*Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, and any of our/their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.*

*The contents on the website of our Company at [www.ahsay.com.hk](http://www.ahsay.com.hk) do not form part of this prospectus.*

	<u>Page</u>
CHARACTERISTICS OF GEM .....	i
EXPECTED TIMETABLE .....	ii
CONTENTS .....	iii
SUMMARY .....	1
DEFINITIONS .....	15
GLOSSARY OF TECHNICAL TERMS .....	23
FORWARD-LOOKING STATEMENTS .....	30
RISK FACTORS .....	31
WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES .....	44
INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING .....	45
DIRECTORS AND PARTIES INVOLVED IN THE PLACING .....	48
CORPORATE INFORMATION .....	51
INDUSTRY OVERVIEW .....	53
REGULATORY OVERVIEW .....	64
HISTORY, DEVELOPMENT AND REORGANISATION .....	73
BUSINESS .....	82
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS .....	135
CONNECTED TRANSACTIONS .....	139
BUSINESS OBJECTIVES AND FUTURE PLANS .....	148
DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES .....	154

---

## CONTENTS

---

	<u>Page</u>
SHARE CAPITAL .....	164
SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS .....	167
FINANCIAL INFORMATION .....	168
UNDERWRITING .....	204
STRUCTURE AND CONDITIONS OF THE PLACING .....	209
APPENDIX I — ACCOUNTANTS' REPORT .....	I-1
APPENDIX II — UNAUDITED PRO FORMA FINANCIAL INFORMATION .....	II-1
APPENDIX III — SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW .....	III-1
APPENDIX IV — STATUTORY AND GENERAL INFORMATION .....	IV-1
APPENDIX V — DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION .....	V-1

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information which may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in the Placing Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in the Placing Shares are summarised in the section headed "Risk Factors" in this prospectus. You should read such section carefully before you decide to invest in the Placing Shares.*

*Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this prospectus.*

## OVERVIEW

We are an online backup software developer based in Hong Kong, with a focus on providing self-developed backup software products and services to our customers which include IT consultants, web hosting companies, telecommunications companies and MSPs located mainly in Europe and the North America. According to the Frost & Sullivan Report, we are accredited as a market leader in online backup software solutions targeted at SMEs worldwide, ranking first among all the backup software companies in Hong Kong catering to SMEs globally in terms of revenue for the year ended 31 December 2014. During the Track Record Period, substantially all of our backup software products and services were sold to or ordered by our customers through the Internet on our sales websites. Upon payment by our customers online at our sales websites, our customers can download and activate our backup software products for use immediately. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. As our Ahsay™ Backup Software is rebrandable, our customers may provide our Ahsay™ Backup Software to their respective customers in our brand name "Ahsay" or under their own brand names.

Cloud is a fast-evolving technology in recent years, and may be regarded as the modern version of "online" or the "Internet". Our Ahsay™ Backup Software supports different modes of backup, including on-premises backup through LAN/WAN and online/offsite/remote/cloud backup through the Internet. In particular, our Ahsay™ Backup Software has been supporting private cloud storage since its introduction in 2003. Data backed up using our Ahsay™ Backup Software can be stored at different storage destinations determined by our customers and the end-users, such as on-premises servers and private cloud storage, for backup purposes. We provide software and related services to backup data and generally do not provide storage services for data backup, except for certain customers in Hong Kong. Our revenue from storage services for data backup represents approximately 1.2%, 0.9% and 0.9% of our total revenue during the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. Our Directors consider such revenue insignificant to our total revenue and storage services for data backup was not our focus during the Track Record Period and would not be our focus in the future.

During the Track Record Period, we had over 4,000 customers from over 75 countries worldwide. Our backup software products are developed in Hong Kong and are equipped with multi-lingual, multi-platform and multi-application built-in features. Our Ahsay™ Backup Software supports over 30 languages and dialects, and can be used on various platforms and different software applications. Since 2003, we have accumulated solid experience in developing backup software products and services. In particular, we design our Ahsay™ Backup Software and related services to assist our customers in managing their IT or backup-related business in a user-friendly and orderly manner so

## SUMMARY

as to improve their efficiency. In 2014, we released our new backup software product, CloudBacko Backup Software, which targets at end-users.

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our total revenue amounted to approximately HK\$58.1 million, HK\$54.0 million and HK\$14.2 million, respectively, and our net profit amounted to approximately HK\$29.0 million, HK\$18.5 million and HK\$5.8 million, respectively, during the corresponding periods. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the net profits of our continuing operation amounted to approximately HK\$16.0 million, HK\$14.7 million and HK\$3.2 million, respectively, while the net profits of our discontinued operation amounted to approximately HK\$13.0 million, HK\$3.8 million and HK\$2.6 million, respectively. During the same periods, the net profit margin of our continuing operation was approximately 27.6%, 27.2% and 22.4%, respectively, while the net profit margin of our discontinued operation was approximately 87.4%, 66.1% and 89.3%, respectively.

### OUR PRINCIPAL BUSINESS

During the Track Record Period, we derived our revenue from our backup software business consisting of: (i) software licence sales; (ii) software licence leasing; (iii) software upgrades and maintenance services; (iv) other services; and (v) sale of hardware devices. During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services. The following table sets forth a breakdown of our revenue streams and the respective percentages of total revenue during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014 (unaudited)		2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Software licence sales . . . . .	14,834	25.6	9,100	16.9	2,184	16.6	2,742	19.3
Software licence leasing . . . . .	21,146	36.4	21,479	39.8	5,278	40.1	5,439	38.2
Software upgrades and maintenance services . . . . .	20,000	34.4	21,945	40.7	5,280	40.1	5,710	40.1
Other services . . . . .	1,858	3.2	1,277	2.4	366	2.8	316	2.2
Sale of hardware devices . . . . .	226	0.4	172	0.2	51	0.4	18	0.2
<b>Total . . . . .</b>	<b>58,064</b>	<b>100.0</b>	<b>53,973</b>	<b>100.0</b>	<b>13,159</b>	<b>100.0</b>	<b>14,225</b>	<b>100.0</b>

During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services and less than 3.1% of our revenue from other services and sale of hardware devices. In particular, during the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from software licence sales and leasing and software upgrades and maintenance services in relation to our Ahsay™ Backup Software amounted to approximately HK\$56.0 million, HK\$52.5 million and HK\$13.9 million, representing approximately 96.4%, 97.3% and 97.7% of our total revenue, respectively. We expect that Ahsay™ Backup Software will continue to generate the majority of our revenue in the near future.

As at 31 March 2015, our customers, on average, had been maintaining business relationships with us for around 4.7 years. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, revenue generated from recurring customers represented approximately 87.8%, 88.7% and 90.0% of our revenue generated from software licence sales and leasing, respectively. The following table sets forth a breakdown of our revenue generated from



## SUMMARY

recurring customers and new customers and the number of recurring customers and new customers during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March	
	2013		2014		2015	
	HK\$'000	Number of customers (Note 1)	HK\$'000	Number of customers (Note 1)	HK\$'000	Number of customers (Note 1)
<b>Software licence sales</b>						
Recurring customers (Note 2) . . . . .	10,739	847	6,122	727	1,931	292
New customers during the relevant year/period . . . . .	<u>4,095</u>	<u>317</u>	<u>2,978</u>	<u>461</u>	<u>811</u>	<u>177</u>
	<u>14,834</u>	<u>1,164</u>	<u>9,100</u>	<u>1,188</u>	<u>2,742</u>	<u>469</u>
<b>Software licence leasing (For Ahsay™ Backup Software only)</b>						
Recurring customers (Notes 2 and 3) . .	20,836	799	20,993	773	5,434	761
New customers during the relevant year/period . . . . .	<u>310</u>	<u>49</u>	<u>486</u>	<u>68</u>	<u>5</u>	<u>10</u>
	<u>21,146</u>	<u>848</u>	<u>21,479</u>	<u>841</u>	<u>5,439</u>	<u>771</u>

Notes:

- (1) Some of these customers may also have contributed to other revenue stream(s), namely software upgrades and maintenance services, other services and sales of hardware devices.
- (2) Recurring customers of a period are customers which had purchased or leased our backup software products from us preceding and during the period in concern.
- (3) As at 31 March 2015, our customers who had leased our Ahsay™ Backup Software from us, on average, had been maintaining business relationships with us for around 5.0 years.

According to Frost & Sullivan, data backup is of paramount importance to all entities, in particular those with businesses. Data backup has been done traditionally by keeping physical originals and copies of originals and electronically by saving electronic copies in electronic storage devices such as CD-ROMs and external hard drives. Our Directors consider that backup software products, such as our Ahsay™ Backup Software, have become a necessity for the business community. According to Frost & Sullivan, there has been an explosive growth in the amount of data, and data has become a new form of essential production factors, which is playing an increasingly important role in various business activities. Further, due to higher replacement cost of users compared with the cost of product upgrading, backup software products, such as our Ahsay™ Backup Software, generally enjoy strong user-stickiness which is best illustrated by our recurring customers who had purchased and leased software licences and obtained software upgrades and maintenance services from us during the Track Record Period, thereby contributed over 88% of our total revenue generated in the same period. In addition, our Ahsay™ Backup Software has been launched since 2003, during the past 12 years we continue to upgrade and add-on new features to our Ahsay™ Backup Software, accordingly our revenue and net profit sustained steady growth along the years with proven track record results. As such, our Directors are of the view that our business is sustainable, notwithstanding our reliance on our Ahsay™ Backup Software.

Our Directors have confirmed that there had not been any change in the business focus of our Group during the Track Record Period.

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## SUMMARY

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### OUR REVENUE MODEL

Our revenue model of each of our Group's business streams is summarised below:

(i) Software licence sales and leasing

- (a) Software licence sales: Our customers who intend to own our backup software products perpetually may purchase our backup software products at a one-off purchase price through the Internet on our sales websites. We generally charge such customers on a fixed unit price basis, and the total purchase price is dependent on the number of backup software products to be purchased by our customers and the unit price for the relevant backup software products. Our revenue is derived from the fees paid by our customers for purchasing our backup software products.
- (b) Software licence leasing: Our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software through the Internet on our sales website at [www.ahsay.com](http://www.ahsay.com). We generally charge our customers on a monthly basis, and the total leasing fee for each month is dependent on the number of Ahsay™ Backup Software to be leased by the customers and the monthly rate for the relevant Ahsay™ Backup Software. Our customers, such as IT consultants, web hosting companies, telecommunications companies and MSPs, provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software. Where our Group leases our Ahsay™ Backup Software to such customers, the monthly license fees are settled directly by such customers instead of their respective customers. Our revenue is derived from the monthly usage consumed by our customers for leasing our Ahsay™ Backup Software.

(ii) Software upgrades and maintenance services

Our customers who purchase our backup software products are entitled to our complimentary software upgrades and maintenance services (i) within the first year from the date of activation of each Ahsay™ Backup Software licence; and (ii) at any time after activation of each CloudBacko Backup Software licence. Upon expiry of the one-year complimentary maintenance period for our Ahsay™ Backup Software, our customers may continue to enjoy our software upgrades and maintenance services subject to an annual fee by making orders through the Internet on our sales websites. The annual fee is calculated based on the number of Ahsay™ Backup Software to be covered by our software upgrades and maintenance services and the unit rate for upgrades and maintenance of the relevant Ahsay™ Backup Software. Our revenue is derived from the fees paid by our customers for software upgrades and maintenance services for our Ahsay™ Backup Software.

(iii) Other services

We offer services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. We generally charge our customers on a fixed unit price basis for such services. Our customers may order such services through the Internet on our sales websites. The pricing for such services depends on factors such as the scope and complexity of the services, expected number of required man-hours and the prevailing market rate. Our revenue is derived from the fees paid by our customers for such services.

(iv) Sale of hardware devices

We sell hardware devices together with our Ahsay™ Backup Software as a package to our Hong Kong customers. Our revenue from the sale of hardware devices is derived from our

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## SUMMARY

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Hong Kong customers only. Our sale of hardware devices is not conducted through the Internet on our sales websites, and our Hong Kong customers for our sale of hardware devices are approached by our sales representatives. Our revenue is derived from the payments from our Hong Kong customers for the purchase of hardware devices together with our Ahsay™ Backup Software from us.

Our backup software products are developed by our in-house R&D team in Hong Kong and we do not rely on any third party to develop our backup software products or to license any software to us for our business. We are able to respond to the needs of our customers and the end-users timely by modifying our backup software products and developing new features for our backup software products in-house without negotiating with any third party.

### DISCONTINUED OPERATION

Pursuant to the Reorganisation, our Group disposed of our property investment business, which is our discontinued operation, in June 2015 so that we can focus on our principal business of provision of backup software products and services. As a result of such disposal, we will record a one-off gain of approximately HK\$54.7 million in our combined statements of profit or loss for the year ending 31 December 2015. For details of the disposal of our property investment business, please refer to the section headed “History, Development and Reorganisation” on page 76 to page 79 of this prospectus, the section headed “Connected Transactions — Discontinued Connected Transactions — One-off connected transaction” on page 146 of this prospectus, and page I-46 of the Accountants’ Report set out in Appendix I to this prospectus.

### COMPETITIVE LANDSCAPE

The backup software industry is highly competitive, rapidly evolving, and subject to changing technology, shifting user needs and frequent introductions of new products and services. The global backup software market is fragmented with the presence of both international and local backup software developers which have different business focuses and we compete primarily with other backup software developers in the international markets. According to the Frost & Sullivan Report, the top 5 backup software providers only accounted for about 1.4% of the total revenue of the global backup software market catering to SMEs in 2014. We have been in the industry since 2003 and we were the largest backup software provider in Hong Kong, representing a market share of approximately 0.8%, in terms of revenue in 2014.

For details, please refer to the section headed “Industry Overview” on page 53 to page 63 of this prospectus.

### OUR COMPETITIVE STRENGTHS

We believe our success is attributable to, among other things, the following competitive strengths:

- strong and innovative software development capabilities;
- all-in-one tri-multi built-in software design catering for the needs of our customers and the end-users;
- well-established business relationships with our customers and a proven track record;
- worldwide customer base; and
- experienced and visionary senior management team.

For details, please refer to the section headed “Business — Our Competitive Strengths” on page 84 to page 86 of this prospectus.

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## SUMMARY

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### OUR BUSINESS STRATEGIES

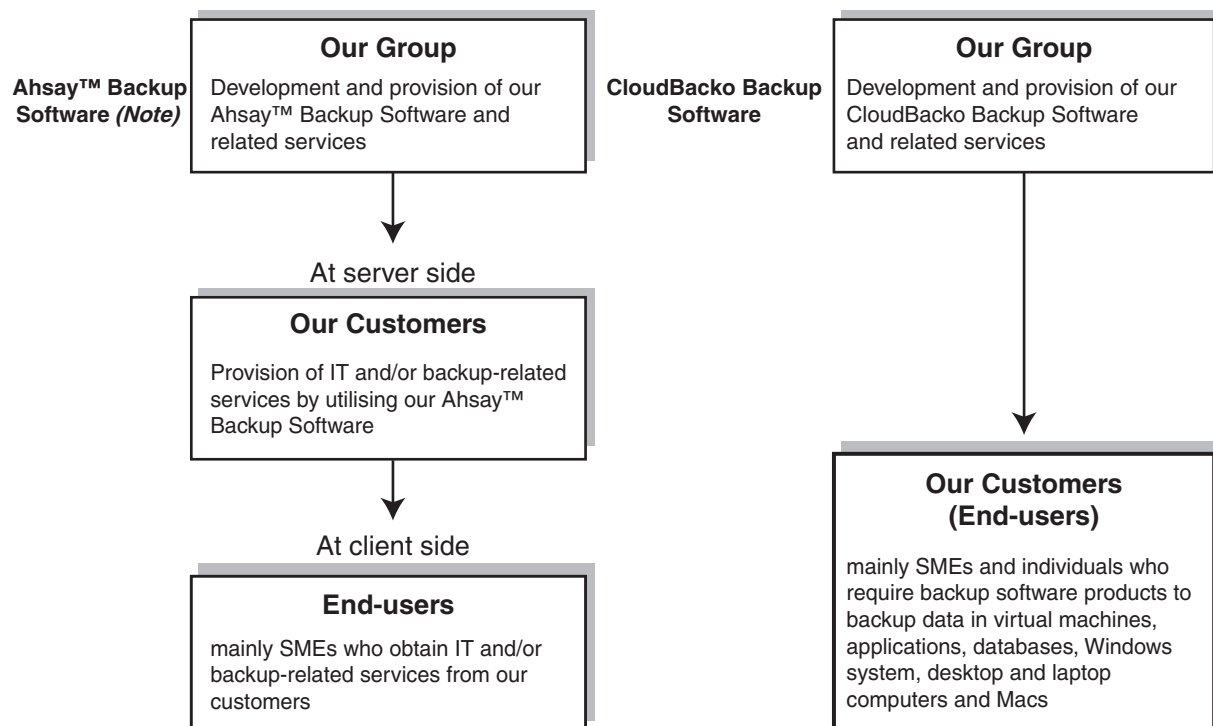
To drive backup business worldwide and become a leading developer and provider of backup software products and services for all platforms, applications and all mankind speaking different languages, we intend to implement the following business strategies:

- strengthening our software development capabilities;
- broadening our customer base; and
- pursuing selective acquisition and partnership.

For details, please refer to the section headed “Business — Our Business Strategies” on page 86 to page 87 of this prospectus.

### CUSTOMERS

We have a globally diversified customer base. During the Track Record Period, we were not dependent on any single customer. Through our direct sales via the Internet on our sales websites, we sold our backup software products to over 4,000 customers from over 75 countries worldwide during the Track Record Period. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. The following diagrams set forth (i) the typical relationships between our Group and our customers and between our customers and the end-users in relation to our Ahsay™ Backup Software; and (ii) the relationship between our Group and our customers who are end-users of our CloudBacko Backup software, respectively:



*Note:* To the best knowledge and information of our Directors, while most of our customers provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, some of our customers are end-users of our Ahsay™ Backup Software.

For details, please refer to the section headed “Business — Customers” on page 119 to page 120 of this prospectus.

## SUMMARY

### SALES IN RUSSIA, CONGO, THE BALKANS, EGYPT, NIGERIA AND VENEZUELA

We generate revenue from sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, each of which jurisdictions is subject to certain international sanctions prohibiting dealing with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia. The amount of total revenue generated from sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 accounted for approximately 0.16%, 0.18% and 0.17% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal advisers as to International Sanctions laws, our historical sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period do not implicate the application of the relevant sanctions laws on our Group, or any person or entity, including our Group's investors or the Stock Exchange. Please see the section headed "Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela" in this prospectus for details of our operations and business activities in those countries.

Our Directors confirm that, save as disclosed in the section headed "Business" in this prospectus, our Group has not had during the Track Record Period and up to the Latest Practicable Date, any business activities in connection with any countries, governments, entities or individuals sanctioned by the US, the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC administered sanctions. In relation to our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the US, the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations.

### SELECTED FINANCIAL INFORMATION

The following tables set forth the combined financial information of our Group for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, and should be read in conjunction with the financial information included in the Accountants' Report set out in Appendix I to this prospectus.

#### Summary of combined statements of profit or loss and other comprehensive income

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
<b>Continuing operation</b>				
Revenue .....	58,064	53,973	13,159	14,225
Profit before tax from continuing operation .....	18,996	18,099	2,199	3,882
Profit for the year/period from continuing operation .....	16,009	14,697	1,691	3,184
<b>Discontinued operation</b>				
Profit for the year/period from discontinued operation ...	13,015	3,770	3,598	2,626
<b>Profit for the year/period</b> .....	29,024	18,467	5,289	5,810
<b>Total comprehensive income for the year/period</b> ....	29,024	18,461	5,283	5,817

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2014 and 31 March 2015, our revenue from our principal business of backup software, which is our

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## SUMMARY

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continuing operation, was approximately HK\$58.1 million, HK\$54.0 million, HK\$13.2 million and HK\$14.2 million, respectively.

Our revenue decreased by approximately HK\$4.1 million, or approximately 7.0%, from approximately HK\$58.1 million for the year ended 31 December 2013 to approximately HK\$54.0 million for the year ended 31 December 2014. The decrease was attributable to the decreases in revenue from software licence sales and leasing of approximately HK\$5.4 million, mainly resulting from (i) the making of less marketing efforts in the PRC market during the year ended 31 December 2014. Our revenue generated from the PRC market dropped from HK\$2.1 million in 2013, representing approximately 3.6% of our total revenue in 2013, to HK\$0.4 million in 2014, representing approximately 0.7% of our total revenue in 2014, as a result of the departures of 2 sales team members in the end of 2013 and our strategy to focus primarily on international markets. As we believe additional resources and support infrastructure are required to expand our share in the PRC market, we had temporarily reduced our marketing efforts in the PRC starting in 2014. As our revenue generated from PRC customers contributed an insignificant amount of our Group's revenue during the Track Record Period, and our Directors considered that our previous marketing efforts and resources placed in the PRC market were not cost effective, our Directors may consider adopting new marketing strategies for the PRC market upon the Listing; (ii) the acquisition by one of our top 5 customers in Ireland of another customer of our Group in Norway in 2014, such Norwegian customer owned an inventory of un-utilised licence keys, which reduced the demand for purchase of our Ahsay™ Backup Software from us by such Ireland customer in 2014. Such customer in Ireland did not purchase any software licence of our major Ahsay™ Backup Software from us in year ended 31 December 2014 and the three months ended 31 March 2015; however, revenue generated from such customer in respect of software upgrades and maintenance services amounted to HK\$576,000 and HK\$158,000, respectively, representing approximately 1.1% and 1.1% of our total revenue from continuing operation for the year ended 31 December 2014 and the three months ended 31 March 2015, respectively. As such Irish customer had been maintaining business relationship with us for over 8 years and the replacement costs of users are higher than the costs of software upgrades and maintenance services, our Directors are of the opinion that such Irish customer will continue to purchase our backup software products in the future and the consolidation of such customers in Ireland and Norway will solidify our customer base and will not have any long-term adverse impact on our revenue; and (iii) the change from leasing to purchasing licences by certain customers in the markets of Denmark and the Netherlands in 2013, such that we only received fees for software upgrades and maintenance from such customers in 2014 and such fees were less than the fees for leasing and the purchase price we received from such customers in 2013. Such purchases of licences were recorded as revenue in 2013 and are considered as one-off transactions, as ownerships to our Ahsay™ backup software licences pass to customers after purchases. Any subsequent revenue from purchased licences will consist of only annual fee for software upgrades and maintenance services, which is less than the leasing rate on an annual basis. For details of the prices, rates and fees of our major software products, please refer to the section headed "Business — Our Products and Services — Prices and rates of our major software products, and the annual fees for our software upgrades and maintenance services" in this prospectus. The overall decrease in revenue from software licence sales and leasing in 2014 was offset by the increase in revenue from software upgrades and maintenance services of approximately HK\$1.9 million.

Our Directors are of the view that all of the reasons set forth above, which resulted in a decrease in revenue 2014, are of a one-off basis and will not have a continuous adverse impact on our revenue in the future.

For details, please refer to the sections headed "Financial Information — Results of Operations" and "Financial Information — Review of Historical Operating Results" on page 176 to page 180, and page 181 to page 186, of this prospectus, respectively.



## SUMMARY

### Summary of combined statements of financial position

	As at 31 December		As at 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Non-current assets .....	124,237	77,120	912
Current assets .....	42,200	42,614	77,433
Current liabilities .....	115,980	72,886	70,100
Non-current liabilities .....	2,292	1,812	1,212
Net assets .....	48,165	45,036	7,033

As at 31 December 2013 and 2014, we had net current liabilities of approximately HK\$73.8 million and HK\$30.3 million, respectively. The decrease was mainly attributable to our repayment of bank borrowings following our sale of investment properties in July 2014. As at 31 March 2015, we recorded net current assets of approximately HK\$7.3 million. The change was mainly attributable to reclassification of the leasehold land and buildings in the property investment business segment, being our discontinued operation, from non-current assets to current assets in view of the establishment of intention to sell the properties. We expect to maintain a net current asset position after the Listing.

We maintained a net asset position of approximately HK\$48.2 million, HK\$45.0 million and HK\$7.0 million as at 31 December 2013, 31 December 2014 and 31 March 2015, respectively.

For details, please refer to the section headed “Financial Information — Net Current Assets / Liabilities and Selected Items of Combined Statements of Financial Position” on page 186 to page 191 of this prospectus.

### Operating cash flow

The following table sets forth a summary of our combined statements of cash flows during the Track Record Period:

	For the year ended 31 December		For the three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities .....	20,292	14,196	4,869
Net cash (used in) from investing activities .....	(46,999)	45,224	28,204
Net cash from (used in) financing activities .....	35,919	(65,569)	(43,700)
Net increase (decrease) in cash and cash equivalents .....	<u>9,212</u>	<u>(6,149)</u>	<u>(10,627)</u>

Our net cash generated from operating activities decreased from approximately HK\$20.3 million for the year ended 31 December 2013 to approximately HK\$14.2 million for the year ended 31 December 2014 by approximately HK\$6.1 million, which was mainly attributable to (i) the decrease in revenue by approximately HK\$4.1 million in 2014; (ii) the increase of income taxes paid by approximately HK\$1.2 million; and (iii) the decrease in the changes of rental deposits received by approximately HK\$3.5 million and partially offset by the increase in the changes of deposits and fees received in advance by approximately HK\$2.4 million.

Our net cash used in investing activities for the year ended 31 December 2013 was approximately HK\$47.0 million while our net cash generated from investing activities for the year ended 31 December 2014 was approximately HK\$45.2 million. The change was approximately HK\$92.2 million, which was mainly attributable to (i) the cash used in the purchase of investment

## SUMMARY

properties by approximately HK\$42.5 million in 2013; and (ii) the proceeds from the disposal of investment properties of approximately HK\$48.8 million in 2014.

Our net cash generated from financing activities for the year ended 31 December 2013 was approximately HK\$35.9 million while our net cash used in financing activities for the year ended 31 December 2014 was approximately HK\$65.6 million. The change was approximately HK\$101.5 million, which was mainly attributable to (i) the decrease in bank borrowings raised by approximately HK\$48.1 million; (ii) the increase in repayment of bank borrowings by approximately HK\$33.6 million; and (iii) the increase in dividend paid by approximately HK\$19.6 million.

For details, please refer to the section headed “Financial Information – Liquidity and Capital Resources” on page 191 to page 195 of this prospectus.

### Summary of financial ratios

The following table sets forth some key financial ratios of our Group for the years/period indicated:

#### *Key financial ratios of our Group from continuing and discontinued operations*

	As at / For the year ended 31 December		As at / For the three months ended 31 March
	2013	2014	2015
Current ratio .....	0.4 times	0.6 times	1.1 times
Gearing ratio .....	1.9 times	1.0 times	7.4 times
Debt to equity ratio .....	1.5 times	0.8 times	7.2 times
Interest coverage .....	15.1 times	12.0 times	21.9 times
Return on assets .....	17.4%	15.4%	29.7%
Return on equity .....	60.3%	41.0%	330.4%

#### *Key financial ratios of our Group from continuing operation*

	For the year ended 31 December		For the three months ended 31 March
	2013	2014	2015
Interest coverage .....	17.5 times	18.5 times	32.6 times
Return on assets .....	9.6%	12.3%	16.3%
Return on equity .....	33.2%	32.6%	181.1%

Our gearing ratio increased from 1.0 times as at 31 December 2014 to 7.4 times as at 31 March 2015 primarily due to a decrease in equity as a result of the dividend payment in cash of approximately HK\$46.0 million during the three months ended 31 March 2015.

Our debt to equity ratio increased from 0.8 times as at 31 December 2014 to 7.2 times as at 31 March 2015 primarily due to a decrease in bank and cash balance and equity, as a result of the dividend payment in cash of approximately HK\$46.0 million during the three months ended 31 March 2015.

For details, please refer to the section headed “Financial Information – Summary of Key Financial Ratios” on page 195 to page 197 of this prospectus.

### SHAREHOLDERS' INFORMATION

Our Controlling Shareholders are Mrs. Chong, Mr. Schubert Chong, Mr. Scherring Chong, All Divine (which is wholly-owned by Able Future) and Able Future (which is held as to 40%, 30% and 30% by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively). All Divine is



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## SUMMARY

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expected to be entitled to exercise and control 75% of the entire issued share capital of our Company upon the completion of the Placing and the Capitalisation Issue (without taking into account the Shares that may be allotted and issued upon exercise of options to be granted under the Share Option Scheme). Each of our Controlling Shareholders, our Directors, our substantial shareholders and their respective close associates does not have any interest in a business apart from our Group's business which competes or may compete, directly or indirectly, with our Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### DIVIDENDS

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our Group declared dividends of approximately HK\$2.0 million, HK\$21.6 million and HK\$46.0 million, respectively. Our Board has absolute discretion as to whether to recommend for declaration of any dividend for any year end and if any, the amount of dividend and the means of payment, subject to the applicable laws and regulations and the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. We currently do not have any predetermined payout ratio.

### OUR LATEST DEVELOPMENT

Our business model has remained unchanged and our growth in revenue and cost structure has remained stable since 31 March 2015. Our Directors expect that our combined profit attributable to owners of our Company will be materially and adversely affected by the listing expenses incurred during the year ending 31 December 2015.

As part of our Reorganisation, properties including our Group's office premises and a car parking space in Hong Kong (the "Office Premises") were transferred by our Group to Assets Sino HK, a connected person of our Company. Our Group disposed of the entire issued capital of Million Victory, which was used for holding investment properties since its incorporation, to Able Future. In line with our plan to dispose of our properties investment business, we also disposed of two properties to Assets Sino HK and Atlantic Sky Global (HK) Limited, the completion of which took place on 25 June 2015. As a result of such disposals, we will record a one-off gain of approximately HK\$54.7 million in our combined statements of profit or loss for the year ending 31 December 2015.

In June 2015, we launched a complimentary backup software product, CloudBacko Home, for end-users to backup data located in their PCs and Macs to local and/or public cloud destinations of their choice. As our backup software product targeting at end-users is still at an initial stage, our Directors believe that the launch of CloudBacko Home would enable end-users to try our CloudBacko Backup Software, which may encourage future purchases of our CloudBacko Backup Software targeting at end-users.

As a result of the disposal of the Office Premises to Assets Sino HK, a connected person of the Company, our Group entered into a tenancy agreement with Assets Sino HK in respect of the Office Premises on 25 June 2015. For details, please refer to the section headed "Connected Transactions — Continuing Connected Transactions — B. Non-exempt Continuing Connected Transaction" in this prospectus. As such, our Directors expect to record HK\$1,455,760 and HK\$2,817,000 as rental expense in the years ending 31 December 2015 and 2016. The difference between the historical annual depreciation expense and the annual rental expense will be reflected in our combined profit attributable to owners of our Company, which will amount to approximately HK\$1.0 million and HK\$1.9 million for the years ending 31 December 2015 and 2016, respectively, and will increase our administration expenses after the Listing.

We develop all of our backup software products in-house, and we mainly advertise our products through the Internet. We intend to apply the net proceeds from the Placing for, among other things,

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## SUMMARY

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expanding our R&D team and advertising our backup software products. Please refer to the section headed “Business Objectives and Future Plans — Implementation Plans” in this prospectus for a detailed description of our future plans.

Due to the expected launch of our new backup software products and to strengthen our software development capabilities, we plan to expand our R&D team to provide additional manpower on the research and implementation of new software features and tools, and increase our advertising efforts to promote our products. As a result, our Directors expect that staff costs and related expenses and administrative expenses may increase significantly after the Track Record Period, such that our Group may record lower net profit margins from continuing operation in the two years ending 31 December 2015 and 2016 than the historical net profit margins from continuing operations during the Track Record Period. As at the Latest Practicable Date, save for the listing expenses as discussed below in this section, we did not have any significant non-recurrent items in our combined statements of profit or loss and other comprehensive income.

### LISTING EXPENSES

Based on the Placing Price of HK\$0.20 per Placing Share, the listing expenses, which are non-recurrent in nature, are estimated to be approximately HK\$22.7 million and will be borne by us.

Approximately HK\$7.7 million of our estimated listing expenses is directly attributable to the issue of the Placing Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$15.0 million is expected to be charged to the combined statements of profit or loss and other comprehensive income. No listing expense was recognised in the combined statements of profit or loss and other comprehensive income for the three months ended 31 March 2015 (according to our audited financial statements as set out in Appendix I to this prospectus) and the listing expenses of approximately HK\$15.0 million is expected to be charged upon the Listing (according to our current estimation).

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2015 would be materially and adversely affected by the listing expenses mentioned above.

### FUTURE PLANS AND USE OF PROCEEDS

The net proceeds from the Placing are estimated to be approximately HK\$77.3 million, after deducting the underwriting commission and other estimated expenses in the amount of approximately HK\$22.7 million payable by our Company in relation to the Placing and based on the Placing Price of HK\$0.20 per Placing Share. We intend to apply the aforesaid net proceeds in the following manner from the Latest Practicable Date to 31 December 2017:

- approximately HK\$11.1 million, representing approximately 14.3% of the net proceeds, will be used for strengthening our software development capabilities;
- approximately HK\$7.9 million, representing approximately 10.2% of the net proceeds, will be used for broadening our customer base;
- approximately HK\$50.6 million, representing approximately 65.5% of the net proceeds, will be used for pursuing growth through selective acquisition and partnership; and
- approximately HK\$7.7 million, representing approximately 10.0% of the net proceeds, will be used for the funding of our working capital and general corporate purposes.

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## SUMMARY

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For details, please refer to the section headed “Business Objectives and Future Plans” on page 148 to page 153 of this prospectus.

### NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, save as disclosed in the paragraph headed “Listing Expenses” above in this section, since 31 March 2015 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants’ Report set out in Appendix I to this prospectus.

### PLACING STATISTICS

	<b>Based on the Placing Price of HK\$0.20 per Placing Share</b>
Market capitalisation of the Shares ( <i>Note 1</i> ) .....	HK\$400,000,000
Unaudited pro forma adjusted combined net tangible assets of our Group attributable to owners of our Company per Share ( <i>Notes 2 &amp; 3</i> ) .....	HK\$0.04

*Notes:*

- (1) The calculation of the market capitalisation of the Shares is based on 2,000,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue.
- (2) The unaudited pro forma adjusted combined net tangible assets of our Group per Share is arrived at on the basis of 2,000,000,000 Shares in total, assuming that 1,999,999,998 Shares were issued pursuant to the Placing and Capitalisation Issue had been completed on 31 March 2015. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares referred to in the sub-sections headed “General Mandate” or “Repurchase Mandate” of the section headed “Share Capital” of this prospectus.
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2015.

### RISK FACTORS

Our business is subject to a number of risks and uncertainties, including the following highlighted risks:

- We derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services during the Track Record Period from our Ahsay™ Backup Software. Any failure to continuously maintain or enhance the performance of this software and end-user experience and launch high-quality new software or other adverse development could materially and adversely affect our business and results of operations.
- The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of market acceptance in the past; and the selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit.
- The upcoming version 7 of our Ahsay™ Backup Software and our CloudBacko Backup Software enable our customers to backup data on public cloud storage which is more prone to being hacked and damaged by unauthorised parties. Should there be any leakage or damage of data stored in public cloud storage destinations due to any action or inaction of

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## SUMMARY

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any public cloud service provider which is out of our control or as a result of our insufficient security measures, a loss of confidence in our backup software products will likely occur and we may be subject to complaints or claims from our customers, which will likely have an adverse impact on our business and results of operations.

- Our performance relies heavily on key executives, our business may be adversely affected if they cease to serve us in the future and we fail to find suitable replacements.
- We may be unable to attract and retain skilled staff. Any shortfall in our skilled workforce or increase in staff costs may materially and adversely affect our business operations and financial performance, and we may not be able to execute our business strategies to drive our growth.
- Our Group's revenue for the year ended 31 December 2014 decreased slightly as compared to the revenue for the year ended 31 December 2013. Should our Group's revenue continue to decrease in the future, the liquidity, financial position, business operations and prospects of our Group will be adversely affected and investors will be exposed to high risk of investment in our Company.

As different investors may have different interpretations and standards for determining the materiality of a risk, you should read the entire section headed "Risk Factors" on page 31 to page 43 of this prospectus carefully before you decide to invest in the Placing Shares. You should not place any reliance on any information contained in press articles, research analysts' reports or other media regarding us and the Placing, which may not be consistent with the information contained in this prospectus.

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## DEFINITIONS

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*In this prospectus, the following terms shall have the meanings set forth below unless the context otherwise requires.*

“Able Future”	ABLE FUTURE INVESTMENTS LIMITED, a company incorporated in the BVI on 11 March 2015 with limited liability and is owned as to 40%, 30% and 30% by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively. Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong are the directors of Able Future. Able Future is one of our Controlling Shareholders
“Advantage AC&R”	ADVANTAGE AC&R EQUIPMENT SUPPLIES CO., LIMITED (鴻新冷凍配件供應中心有限公司), a company incorporated under the laws of Hong Kong on 1 March 1994 with limited liability and is owned by Million Trader, Yung Kin Ming, Chan Yuk Tong and Rich Road as to 70%, 10%, 10% and 10%, respectively, among which Yung Kin Ming and Chan Yuk Tong are Independent Third Parties. Advantage AC&R is a connected person of our Company
“Ahsay Corporation”	AHSAY CORPORATION LIMITED (亞勢有限公司), a company incorporated under the laws of Hong Kong on 29 October 1992 with limited liability and is owned by Mr. Chong King Fan and Rich Road as to approximately 0.0002% and 99.9998%, respectively. Ahsay Corporation is a connected person of our Company
“Ahsay CQ”	亞勢軟件(重慶)有限公司 (Ahsay Systems Corporation (Chongqing) Limited), a limited liability company established under the laws of the PRC on 25 February 2013 and an indirect wholly-owned subsidiary of our Company
“Ahsay HK”	AHSAY SYSTEMS CORPORATION LIMITED (亞勢系統有限公司) (formerly known as Nova Botanical (H.K.) Limited and Leb Shama Co., Limited (納世家有限公司)), a company incorporated under the laws of Hong Kong on 29 November 1994 with limited liability and an indirect wholly-owned subsidiary of our Company
“All Divine”	ALL DIVINE INVESTMENTS LIMITED, a company incorporated in the BVI on 10 March 2015 with limited liability and is wholly-owned by Able Future. Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong are the directors of All Divine. All Divine is one of our Controlling Shareholders
“Alpha Heritage”	ALPHA HERITAGE HOLDINGS LIMITED, a company incorporated in the BVI on 10 March 2015 with limited liability and a direct wholly-owned subsidiary of our Company
“Apex Ace”	APEX ACE INVESTMENTS LIMITED, a company incorporated in the BVI on 11 March 2015 with limited liability and a direct wholly-owned subsidiary of our Company
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 4 September 2015 and which will become effective upon the Listing, as amended from time to time

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## DEFINITIONS

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“Assets Sino BVI”	ASSETS SINO INVESTMENTS LIMITED, a company incorporated in the BVI on 11 March 2015 with limited liability and a direct wholly-owned subsidiary of Able Future. Assets Sino BVI is a connected person of our Company
“Assets Sino HK”	Assets Sino Investments (HK) Limited, a company incorporated in Hong Kong on 2 April 2015 with limited liability and a direct wholly-owned subsidiary of Assets Sino BVI. Assets Sino HK is a connected person of our Company
“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board” or “our Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“Business Registration Ordinance”	the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“BVI”	British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 1,499,999,998 Shares to be made upon capitalisation of part of the amount standing to the credit of the share premium account of our Company referred to in the section headed “History, Development and Reorganisation — Reorganisation — 7. Capitalisation Issue” in this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant, who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“CloudBacko BVI”	CloudBacko Corporation, a company incorporated in the BVI on 2 January 2014 with limited liability and an indirect wholly-owned subsidiary of our Company

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## DEFINITIONS

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“CloudBacko HK”	CloudBacko Limited (雲備酷有限公司), a company incorporated under the laws of Hong Kong on 7 January 2014 with limited liability and an indirect wholly-owned subsidiary of our Company
“Commonwill Catering”	COMMONWILL CATERING SERVICES LIMITED (同恒飲食服務有限公司), a company incorporated under the laws of Hong Kong on 1 June 1993 with limited liability and is owned by Mrs. Chong and Wehbe Antoine Edward as to 60% and 40%, respectively, and Wehbe Antoine Edward is an Independent Third Party. Commonwill Catering is a connected person of our Company
“Commonwill Development”	COMMONWILL DEVELOPMENT LIMITED (同恒發展有限公司), a company incorporated under the laws of Hong Kong on 22 March 1994 with limited liability and is owned by Mr. Chong King Fan, Rich Road and Advantage AC&R as to 10%, 70% and 20%, respectively. Commonwill Development is a connected person of our Company
“Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Ahsay Backup Software Development Company Limited 亞勢備份軟件開發有限公司, formerly known as Ahsay Cloud Backup Software Development Company Limited 亞勢雲端備份軟件開發有限公司, an exempted company incorporated under the laws of the Cayman Islands with limited liability on 10 April 2015
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company for the purposes of this prospectus, unless the context requires otherwise, means the controlling shareholders of our Company, namely Able Future, All Divine, Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, which in aggregate will hold 75% of the issued share capital of our Company immediately following completion of the Placing
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 7 September 2015 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for each of our subsidiaries)



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## DEFINITIONS

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“Deed of Non-Competition”	the deed of non-competition dated 7 September 2015 entered into by our Controlling Shareholders in favour of our Company (for ourselves and for each of our subsidiaries)
“Director(s)” or “our Director(s)”	the director(s) of our Company
“EU”	European Union
“Frost & Sullivan”	Frost & Sullivan Limited, an independent global consulting firm
“Frost & Sullivan Report”	a market research report in respect of the global backup software market issued by Frost & Sullivan dated 25 September 2015 and commissioned by our Group
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries or, where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HK Legal Counsel”	Mr. Frederick Fong, Barrister-at-law, Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HK\$” or “Hong Kong dollar(s)”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are not connected persons of our Company (as defined under the GEM Listing Rules)
“International Sanctions”	sanction-related laws and regulations administered by the US, the EU, the United Nations and Australia
“Joint Lead Managers”	Ping An Securities and V Baron
“Latest Practicable Date”	16 September 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information contained herein
“Listing”	listing of the Shares on GEM



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## DEFINITIONS

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“Listing Date”	the date on which dealings in the Shares on GEM first commence
“Memorandum”	the memorandum of association of our Company, as amended from time to time
“Million Glory”	Million Glory (Asia) Limited (萬康 (亞洲) 有限公司), a company incorporated under the laws of Hong Kong on 13 July 2012 with limited liability and is owned by Mrs. Chong and Mr. Schubert Chong as to 50% and 50%, respectively. Million Glory is a connected person of our Company
“Million Trader”	MILLION TRADER ENTERPRISES (HONG KONG) LIMITED (萬貿企業 (香港) 有限公司), a company incorporated under the laws of Hong Kong on 30 March 1993 with limited liability and is owned by Ms. Monita Chong and Rich Road as to approximately 0.00003% and 99.99997%, respectively. Million Trader is a connected person of our Company
“Million Victory”	Million Victory Investment Management Limited (萬勝投資管理有限公司), a company incorporated under the laws of Hong Kong on 20 November 2012 with limited liability and a direct wholly-owned subsidiary of Able Future
“Mr. Bosco Chong”	Mr. Chong Kam Fung (莊金峰), the finance director and the company secretary of our Company, a nephew of Mr. Chong King Fan and Mrs. Chong, and a cousin of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong
“Mr. Chong King Fan”	Mr. Chong King Fan (莊景帆), the chairman of the Board, our executive Director, the spouse of Mrs. Chong, the father of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong, and an uncle of Mr. Bosco Chong
“Mr. Scherring Chong”	Mr. Chong Siu Ning (莊小靈), the vice-chairman of the Board, our executive Director, one of our Controlling Shareholders, a son of Mr. Chong King Fan and Mrs. Chong, a brother of Mr. Schubert Chong and Ms. Monita Chong, and a cousin of Mr. Bosco Chong
“Mr. Schubert Chong”	Mr. Chong Siu Pui (莊小霽), the chief executive officer of our Company, our executive Director, one of our Controlling Shareholders, a son of Mr. Chong King Fan and Mrs. Chong, a brother of Mr. Scherring Chong and Ms. Monita Chong, and a cousin of Mr. Bosco Chong
“Mrs. Chong”	Ms. Chong Li Sau Fong (莊李秀芳), one of our Controlling Shareholders, the spouse of Mr. Chong King Fan, the mother of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong, and an aunt of Mr. Bosco Chong
“Ms. Li Yin Heung”	Ms. Li Yin Heung (李硯香), the spouse of Mr. Scherring Chong

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## DEFINITIONS

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“Ms. Monita Chong”	Ms. Chong Siu Fan (莊小霧), our non-executive Director, a daughter of Mr. Chong King Fan and Mrs. Chong, a sister of Mr. Schubert Chong and Mr. Scherring Chong, and a cousin of Mr. Bosco Chong
“Ms. Wu Jui-fang”	Ms. Wu Jui-fang (吳瑞芳), the spouse of Mr. Schubert Chong
“OFAC”	the Office of Foreign Assets Control of the U.S. Department of the Treasury
“Ping An Securities”	Ping An Securities Limited, a corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, the sole bookrunner and one of the joint lead managers of the Placing
“Placing”	the conditional placing of 500,000,000 new Shares by the Underwriters on behalf of our Company for cash at the Placing Price, as further described in the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	HK\$0.20 per Placing Share (exclusive of brokerage of 1.0%, the Stock Exchange trading fee of 0.005% and the SFC transaction levy of 0.0027%), at which the Placing Shares are to be subscribed pursuant to the Placing
“Placing Shares”	the 500,000,000 new Shares being offered at the Placing Price pursuant to the Placing
“PRC” or “China”	The People’s Republic of China which, for the purposes of this prospectus only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History, Development and Reorganisation – Reorganisation” in this prospectus
“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to the Directors by the Shareholders, further details of which are contained in the section headed “Statutory and General Information – A. Further Information about the Group – 7. Repurchase by our Company of its own securities” in Appendix IV to this prospectus
“Rich Road”	RICH ROAD DEVELOPMENT INC., a company incorporated under the laws of the BVI on 18 September 2001 with limited liability and is owned by Mr. Scherring Chong and Mrs. Chong as to 50% and 50%, respectively
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

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## DEFINITIONS

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“Sanctioned Countries”	countries which are subject to certain economic sanctions under the laws of the US, the EU, the United Nations and Australia
“Sanctioned Person(s)”	certain person(s) and entity(ies) listed on OFAC’s Specially Designated Nationals and Blocked Persons List or other restricted parties lists maintained by the EU, the United Nations or Australia
“Sau King”	SAU KING INVESTMENTS LIMITED (秀勁投資有限公司), a company incorporated under the laws of Hong Kong on 12 October 1979 with limited liability and is owned by Mr. Chong King Fan, Mr. Schubert Chong, Lee Yuk Yu, Li Sik Kam, Liu Ju Ching, Liu Yiu Ching, Pun Chung Sang, Trevor, Ms. Wu Jui-fang, Yeung Tao Kai and Yu Kam Yuen as to 44%, 3%, 18%, 2.5%, 5%, 5%, 2.5%, 10%, 5% and 5%, respectively, among which Lee Yuk Yu, Li Sik Kam, Liu Ju Ching, Liu Yiu Ching, Pun Chung Sang, Trevor, Yeung Tao Kai and Yu Kam Yuen are Independent Third Parties. Sau King is a connected person of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)” or “our Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 4 September 2015, a summary of the principal terms and conditions of which is set forth in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)” or “our Shareholder(s)”	holder(s) of the Share(s)
“significant shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Sole Bookrunner”	Ping An Securities
“Sole Sponsor”	V Baron
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers approved by the SFC, as amended, supplemented or otherwise modified from time to time

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## DEFINITIONS

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“Track Record Period”	the period comprising the two years ended 31 December 2014 and the three months ended 31 March 2015
“Underwriters”	the underwriters of the Placing, whose names are set out in the section headed “Underwriting – Underwriters” in this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 21 September 2015 and entered into between, amongst others, our Company, the Sole Sponsor and the Underwriters in relation to the underwriting of the Placing Shares, further details of which are set out in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus
“US” or “United States”	United States of America
“US\$” or “US dollar(s)”	United States dollar(s), the lawful currency of the US
“V Baron”	V Baron Global Financial Services Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the sole sponsor to the Listing and one of the joint lead managers of the Placing
“%”	per cent.

*Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as at the Latest Practicable Date.*

*Unless otherwise specified, for the purposes of this prospectus and for the purposes of illustration only, certain amounts denominated in Renminbi and US dollar have been translated into Hong Kong dollar at the exchange rate of RMB1.00 = HK\$1.27 and US\$1.00 = HK\$7.80. No representation is made that any amounts in Renminbi or US dollar were or could have been converted at such rate or at any other rates or at all.*

*Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown in totals in certain tables may not be the arithmetic aggregation of the figures preceding them.*

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary contains explanations of certain terms, definitions and abbreviations used in this prospectus in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.*

“AhsayACB”	acronym for Ahsay A-Click Backup, a core component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayCBS”	acronym for Ahsay Cloud Backup Suite, our latest backup software package which bundles the latest version of all of our components of our Ahsay™ Backup Software, including AhsayOBM, AhsayACB, AhsayOBS, AhsayRPS, AhsayRDR, and billing system. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayOBM”	acronym for Ahsay Online Backup Manager, a core component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayOBS”	acronym for Ahsay Offsite Backup Server, a core component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayPRD”	acronym for Ahsay Proxy Redirector, a component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayRDR”	acronym for Ahsay Redirector, a component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayRPS”	acronym for Ahsay Replication Server, a core component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“AhsayUBS”	acronym for Ahsay Universal Backup System, a component of our Ahsay™ Backup Software. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“Ahsay™ Backup Software”	our backup software product, which allows businesses and MSPs to backup files, virtual machines, databases and servers to local / mapped network drive, locally hosted backup server, or online backup server hosted in datacentres. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus

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## GLOSSARY OF TECHNICAL TERMS

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“Ahsay™ Individual Mailbox Backup Module”	a backup module of our Ahsay™ Backup Software to be used in conjunction with AhsayOBM. Instead of backing up the whole database of Exchange Server, by using Ahsay™ Individual Mailbox Backup Module, our customers can perform brick-level backup to backup individual mails, contacts and calendars in selected mailboxes. For details, please refer to the section headed “Business — Our Products and Services — Software licence sales and leasing” in this prospectus
“Ahsay™ Knowledge Base”	a webpage at our sales website at <a href="http://www.ahsay.com">www.ahsay.com</a> where certain technical and sales related questions and answers are posted by our Group to assist our customers and where our customers may discuss certain technical and sales related issues with our staff and other customers through a discussion forum
“alpha version”	an early version of a software product that may not contain all of the features that are planned for the final version
“Amazon S3”	an online storage service provided by Amazon.com Inc., a US-based electronic commerce corporation
“app” or “application”	an application, a self-contained programme or piece of software designed to fulfil a particular purpose
“backup”	an activity of copying files or databases stored in a computer system via proprietary or public network to an on-site or off-site computer system (for the purpose of preventing data loss, corruption and disclosure of sensitive information from unauthorised access, server crash, human error or natural disaster, etc.)
“backup appliance”	a hardware device with an installed software for backing up data
“backup schedule”	a function of a backup software for pre-determining the timing and frequency to perform a backup
“backup server”	a type of server that enables the backup of data, files, applications and/or databases on a specialised on-site or off-site server
“Big Data”	a term to describe the massive volume and speed of data that requires new forms of processing
“client side”	any matter relating to the client in a client-server relationship in a computer network, the end-user in the case of the backup software industry
“cloud” or “cloud computing”	a model for enabling ubiquitous, convenient, on-demand network access to a shared pool of configurable computing resources (e.g. networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction. Cloud is a fast-evolving technology in recent years, and may be regarded as the modern version of “online” or the “Internet”

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## GLOSSARY OF TECHNICAL TERMS

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“cloud backup”	a method for backing up data where a copy of the data is sent over a proprietary or public network to a cloud, a modern terminology of online backup
“cloud services”	generally refers to services which are provided based on the cloud computing technology
“cloud storage”	includes private cloud storage and public cloud storage, a cloud computing model in which data is stored on remote servers accessed from the Internet, or cloud, which is maintained, operated and managed by a cloud storage service provider on a storage servers that are built on virtualisation techniques
“CloudBacko Backup Software”	our backup software product, which currently includes three editions, namely CloudBacko Pro, CloudBacko Lite and CloudBacko Home. For details, please refer to the section headed “Business – Our Products and Services – Software licence sales and leasing – CloudBacko Backup Software” in this prospectus
“CloudBacko Home”	our backup software product launched in June 2015, which is designed to backup data located in Windows and Mac desktops and laptops to multiple destinations
“CloudBacko Lite”	our backup software product launched in April 2014, which is designed to concurrently backup data, Lotus Notes and Windows system located in desktops and laptops to multiple destinations
“CloudBacko Pro”	our backup software product launched in April 2014, which is designed to concurrently backup virtual machines, applications, databases and Windows system to multiple destinations with tools and features to customise file retention and incremental backup
“CPU”	acronym for central processing unit
“Customisation Portal”	a centralised web application for our customers to customise our Ahsay™ Backup Software
“database”	a structured and organised collection of information and data stored in computer systems that can be easily accessed, managed and updated
“Dropbox”	a file hosting service for public cloud storage, file synchronisation and sharing among computers, mobile phones, tablets, and the Dropbox website operated by Dropbox Inc., a US-based computer technology corporation
“encryption”	the process of encoding electronic data into another form which only authorised parties can read
“Exchange”	a messaging system developed by Microsoft Corporation that includes a mail server, an e-mail programme and groupware applications



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## GLOSSARY OF TECHNICAL TERMS

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“Exchange DAG”	Exchange Database Availability Group, a component of Exchange Mailbox which consists of a group of servers that host databases and provide automatic recovery from mailbox databases failures
“Exchange Database”	a server for backup and recovery developed by Microsoft Corporation that consists of a database file, a transaction log stream and a checkpoint file that record changes committed to the database and identify such changes
“Exchange Mailbox”	a messaging platform developed by Microsoft Corporation that offers access to emails, calendars, contacts and tasks
“Exchange Server”	a server programme developed by Microsoft Corporation to ease communication by allowing retrieval of emails, calendars and contacts from computers, mobile phones and browsers
“Google Drive”	a public cloud storage and synchronisation service provided by Google Inc. that enables storage, sharing and collaborative editing of documents on computers, mobile phones and tablets
“guest virtual machine”	a software component of a virtual machine, an independent instance of an operating system (called a guest operating system) and its associated software and information
“hardware”	physical elements that constitute a computer system, such as CPU, monitor, mouse, keyboard, hard disk, etc.
“host virtual machine”	a server component of a virtual machine, the underlying hardware that provides computing resources to support a particular guest virtual machine
“Hyper-V”	a software developed by Microsoft Corporation that creates and acts as an intermediary between a host virtual machine and a guest virtual machine
“Internet”	an interconnected system of networks that connects computers around the world and is publicly accessible
“IT”	acronym for information technology
“LAN”	acronym for local area network, a computer network that connects computers and devices in a limited geographical area such as home, school, computer laboratory or office building
“Licence Management Portal”	a portal provided by our Group to enable our customers to reallocate their bulk purchased software licence into small packs for re-distribution to their channels and their respective customers and pool different licence keys into one big pool for re-distribution
“Linux”	a free and open-source Unix-type operating system
“Lotus Domino”	currently known as IBM Domino, a server of a social business application holding platform developed by the International



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## GLOSSARY OF TECHNICAL TERMS

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	Business Machines Corporation with collaborative features including emailing, calendaring and instant messaging
“Mac”	Macintosh, a series of PCs designed, developed and marketed by Apple Inc., a US-based computer technology corporation
“management console”	a component of a software that enables system administrators and advanced users an interface for configuring and monitoring the system
“Microsoft OneDrive”	a file storage and synchronisation service provided by Microsoft Corporation that enables storage, sharing and editing of documents from computers, mobile phones and tablets
“module”	a set of functions within a software or an app
“MSP”	acronym for managed service provider, a service provider that provides services, applications and equipment to enterprises, residences or other service providers and provides management of services, applications and equipment to enterprises, residences or other service providers
“MySQL Database”	an open source database enabling web-based and embedded database applications provided by Oracle Corporation, a US-based multinational computer technology corporation
“network”	the linking of a number of devices, such as computers, workstations and printers, into a network (system) for the purpose of sharing resources and information
“online backup”	a method of offsite remote backup
“Oracle Database”	a database developed by Oracle Corporation for enterprise grid computing which has flexible capacity for storing large amount of data and allows access by multiple users
“our sales websites”	<a href="http://www.ahsay.com">www.ahsay.com</a> , the website through which we conduct sales of our Ahsay™ Backup Software and related services, and <a href="http://www.cloudbacko.com">www.cloudbacko.com</a> , the website through which we conduct sales of our CloudBacko Backup Software and related services
“PC”	acronym for personal computer, which includes desktop and laptop computers
“portal”	a web site on the World Wide Web that provides customisation capabilities to its visitors
“private cloud storage”	a type of storage mechanism that stores an organisation’s data at in-house storage servers by implementing cloud computing and storage technology. Private cloud storage is not publicly accessible and is owned by a single organisation and its authorised external partners
“public cloud storage”	a cloud storage model that enables users to store, edit and manage data, which exists on a remote cloud sever and is

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## GLOSSARY OF TECHNICAL TERMS

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	accessible over the Internet under a subscription-based utility billing method where the users pay only for the storage capacity being used. Public cloud storage is provided by storage service providers that host, manage and source the storage infrastructure publicly to many different users
“R&D”	acronym for research and development
“Rebranding Option”	a one-off option offered by our Group to our customers, which enables the rebranding feature of our Ahsay™ Backup Software. For details, please refer to the section headed “Business – Our Products and Services – Other services – The Rebranding Option” in this prospectus
“regression test”	a process of testing proposed changes to our backup software products by our quality assurance team to ensure that existing programming functions with new changes to be introduced to our backup software products
“replication”	an activity of copying data electronically from one computer or server via proprietary or public network to an on-site or off-site designation
“replication server”	a platform for replicating backup data from a backup server
“restore”	a process of retrieving backup files from an on-site or off-site computer system via proprietary or public network to a computer system
“retention”	the act of remaining a set of backup data for the purpose of restoration within a pre-set retention time
“retention time”	the amount of time in which a given set of data will remain available for restoration
“server”	a running instance of application software capable of accepting requests from the client and giving responses accordingly
“server side”	any matter relating to the server in a client-server relationship in a computer network
“SME”	acronym for small and medium-sized enterprise
“software”	any set of machine-readable instructions that directs a computer’s processor to perform specific operations
“source code”	a text listing of commands to be compiled or assembled into an executable computer programme
“SQL”	acronym for structured query language, a standard interactive and programming language for getting information from and updating a database
“SQL Server”	a relational database management system provided by Microsoft Corporation for storage and retrieval of data with a hybrid cloud platform for backup and disaster recovery

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## GLOSSARY OF TECHNICAL TERMS

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“SSL”	acronym for secure sockets layer, a standard security technology for establishing an encrypted link between a web server and a browser, thereby enabling all data passed between the web server and browsers remain private and integral
“SSL certificate”	acronym for secure sockets layer certificate, a small data file installed in a web server that allows for a secure connection between the web server and a web browser
“storage”	an electronic memory device for storing data
“Unix”	a trademark of a multi-tasking, multi-user computer operating system. Originally, Unix was developed by Bell Laboratories. Nowadays, Unix exists in many variants, such as Apple’s OS X, Red Hat Linux, etc.
“virtual machine”	comprises a host virtual machine and multiple guest virtual machines
“virtualisation”	the act of creating a virtual (rather than actual) version of something, including but not limited to a virtual computer hardware platform, operating system, storage device, or computer network resources
“VMware”	a software developed by VMware Inc. that creates and acts as an intermediary between a host virtual machine and a guest virtual machine
“WAN”	wide area network, a geographically dispersed telecommunications network that links across metropolitan, regional, national or international boundaries
“Windows”	an operating system developed by Microsoft Corporation, a US-based multinational computer technology corporation
“Windows State”	operating configuration files of Windows
“workstation”	a special computer designed for technical or scientific applications. Workstations are commonly connected to a LAN and run multi-user operating systems. Workstations offered higher performance than mainstream PCs, especially with respect to CPU and graphics, memory capacity, and multi-tasking capability

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements including, without limitation, words and expressions such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “seek”, “should”, “will”, “would” or similar words or statements, in particular, in the sections headed “Business”, “Business Objectives and Future Plans” and “Financial Information” in this prospectus in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These statements are based on various assumptions regarding our present and future business strategy and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions including the risk factors described in this prospectus and the following:

- our business and operating strategies and the various measures to implement such strategies;
- our dividend policy;
- our operations and business prospects, including development plans for its existing and new businesses;
- the future competitive environment for the industries in which we operate;
- the regulatory environment as well as the general industry outlook for the industries in which we operate;
- future developments in the industries in which we operate;
- the effects of the global financial markets and economic crisis; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations and the GEM Listing Rules, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus. In this prospectus, unless otherwise stated, statements of or references to our intentions or those of any of the Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

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## RISK FACTORS

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*Prospective investors should consider carefully all the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Placing. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Placing Shares could decline due to any of these risks, and you may lose all or part of your investment.*

We believe that there are certain risks involved in an investment in the Shares. These risks can be broadly categorised into (i) risks relating to our Group, (ii) risks relating to our industry, and (iii) risks relating to the Placing and the performance of the Shares.

### RISKS RELATING TO OUR GROUP

**We derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services during the Track Record Period from our Ahsay™ Backup Software. Any failure to continuously maintain or enhance the performance of this software and end-user experience and launch high-quality new software could materially and adversely affect our business and results of operations**

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from software licence sales and leasing accounted for approximately 62.0%, 56.7% and 57.5%, respectively, of our total revenue for the corresponding periods. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, revenue from our software upgrades and maintenance services accounted for approximately 34.4%, 40.7% and 40.1%, respectively, of our total revenue for the corresponding periods. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. We expect that Ahsay™ Backup Software will continue to generate the majority of our revenue in the near future.

Our growth depends on our ability to attract new customers and retain existing customers. In order to maintain and expand our customer base, we must continue to invest significant resources in software development to enhance our existing software, end-user experience and launch new and high-quality software. Our ability to successfully launch, operate and expand our backup software to attract and retain customers largely depends on many factors, including our ability to anticipate and effectively respond to rapid advancement in technologies, changing needs and preferences of our customers and end-users, anticipate and respond to changes in the competitive landscape, and develop and offer suitable and user-friendly and performing software. If we are unable to anticipate and respond to the needs and preferences of our customers and the end-users, or industry changes to enhance our products and services, or if we are unable to launch new products and services, our customer base may not increase at the rate we anticipate, or at all, and it may even decrease.

Should there be (i) any decline in the number of our customers of our Ahsay™ Backup Software, (ii) any failure by us to continuously improve, update or enhance such software products and end-user experience in a timely manner or at all, or (iii) any other matters out of our control and anticipation, our business, financial condition and results of operations could be materially and adversely affected.

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## RISK FACTORS

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**The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of market acceptance in the past; and the selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit**

During the Track Record Period, we offered two of our core software components, namely AhsayOBS and AhsayRPS complimentary to our customers. For the upcoming version 7 of our Ahsay™ Backup Software, we intend to introduce AhsayCBS, a server-side component, which will integrate, among other things, upgrades of existing versions of AhsayOBS and AhsayRPS, into one single component for purchase and lease at a fee by end of 2015. We have been offering AhsayOBS and AhsayRPS complimentary by bundling them with previous and current versions of AhsayOBM and AhsayACB or separately with previous and current versions of AhsayOBM or AhsayACB. The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of their respective market acceptance in the past. Further, such selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit.

**The upcoming version 7 of our Ahsay™ Backup Software and our CloudBacko Backup Software enable our customers to backup data on public cloud storage which is more prone to being hacked and damaged by unauthorised parties. Should there be any leakage or damage of data stored in public cloud storage destinations due to any action or inaction of any public cloud service provider which is out of our control or as a result of our insufficient security measures, a loss of confidence in our backup software products will likely occur and we may be subject to complaints or claims from our customers, which will likely have an adverse impact on our business and results of operations**

We generated substantially all of our revenue from the sale and lease of our backup software products during the Track Record Period. The upcoming version 7 of our Ahsay™ Backup Software and our CloudBacko Backup Software enable users to backup data on public cloud storage destinations. We employ strong encryption algorithm in our backup software products to protect the confidentiality of data stored in public cloud storage. However, improvement in technologies, such as, hacking techniques, may weaken such protective measure over time. Any failure on our part to continuously advance the encryption technologies of our backup software products could compromise the security of the data backed up in public cloud storage destinations, and may result in data leakage. The standard terms and conditions adopted by us in relation to our backup software products limit our liability to customers and end-users. Should there be any leakage or damage of data stored in public cloud storage destinations due to any action or inaction of any public cloud service provider which is out of our control or as a result of our insufficient security measures, a loss of confidence in our backup software products will likely occur and we may be subject to complaints or claims from our customers, which will likely have an adverse impact on our business and results of operations.

**Our performance relies heavily on key executives, our business may be adversely affected if they cease to serve us in the future and we fail to find suitable replacements**

We rely on the management skills and technical know-how of our key executives. Mr. Schubert Chong, the chief executive officer of our Company and our executive Director, has over 10 years of experience in the backup software industry and has been responsible for the overall business operations, strategic planning and policies formulation of our Group. Mr. Schubert Chong is also a fellow member of the Association of Chartered Certified Accountants (FCCA) in the United Kingdom and the Hong Kong Institute of Certified Public Accountants (FCPA) as well as a full member of the CPA Australia (FCPA (Aust.)). Mr. Scherring Chong, the vice-chairman of the Board and executive Director, has over 15 years of experience in the backup software industry. He received his degree of Bachelor of Engineering in computer engineering from the University of New South Wales, Australia, graduating with 1st class honours in 1997. He is primarily responsible for the overall management and operation of our Group's software development and technology advancement. Both of Mr. Scherring Chong and Mr. Schubert Chong have contributed to the growth and development of our Group since



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## RISK FACTORS

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1999 and 2005, respectively. For their biographical information, please see the section headed “Directors, Senior Management and Employees” in this prospectus. If any one of Mr. Schubert Chong and Mr. Scherring Chong ceases to serve us in the future and we fail to find suitable replacements, our business may be materially and adversely affected.

**We may be unable to attract and retain skilled staff. Any shortfall in our skilled workforce or increase in staff costs may materially and adversely affect our business operations and financial performance, and we may not be able to execute our business strategies to drive our growth**

Our success depends heavily upon our ability to continue to attract, retain and motivate skilled personnel, especially R&D staff. Our staff costs and related expenses accounted for 58.6%, 57.2% and 55.2% of our revenue for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. Attracting, developing and retaining talent is an essential component of our business strategy. We may have to offer better salaries, incentive packages and training opportunities to attract and retain sufficient skilled staff to sustain our operations and our growth, which may increase our costs and reduce our profit margins. Experienced personnel in the software and IT industry are in high demand and competition for talent is intense. We cannot assure you that we will continue to be able to attract and retain a sufficient number of skilled staff for our existing and planned business operations. In the event that we cannot attract and retain a sufficient number of skilled staff for our existing and planned business operations, or at all, our business operations and financial performance may be materially and adversely affected, and we may not be able to execute our business strategies to drive our growth.

**Our Group’s revenue for the year ended 31 December 2014 decreased slightly as compared to the revenue for the year ended 31 December 2013. Should our Group’s revenue continue to decrease in the future, the liquidity, financial position, business operations and prospects of our Group will be adversely affected and investors will be exposed to high risk of investment in our Company**

Our Group’s revenue for the year ended 31 December 2014 decreased slightly as compared to the revenue for the year ended 31 December 2013. Our revenue decreased by approximately 7.0% from approximately HK\$58.1 million for the year ended 31 December 2013 to approximately HK\$54.0 million for the year ended 31 December 2014. The decrease in revenue was mainly attributable to the slowing down of business volume from our customers in the PRC, Ireland, Denmark and the Netherlands. Should our Group’s revenue continue to decrease in the future, the liquidity, financial position, business operations and prospects of our Group will be adversely affected and investors will be exposed to high risk of investment in our Company.

**The financial results of our Group will be affected by our listing expenses. We may record lower net profit margins from continuing operation as a result of an increase in staff costs and related expenses and administrative expenses**

The financial results of our Group will be affected by certain non-recurring expenses including the expenses in relation to the Placing and the Listing. Based on the Placing Price of HK\$0.20 per Placing Share, our estimated expenses in relation to the Placing and the Listing (mainly comprising the sponsor’s fee, legal and other professional fees, underwriting commission and printing fee) are approximately HK\$22.7 million, of which approximately HK\$7.7 million will be directly attributable to the issue of the Placing Shares and will be accounted for as a deduction from equity. The remaining amount of approximately HK\$15.0 million will be charged to the combined statements of profit or loss and other comprehensive income for the year ending 31 December 2015. The estimated listing expenses are subject to adjustments based on the actual amount incurred or to be incurred.

Further, the financial results of our Group may be affected by expenditures in relation to our plan to expand our R&D team, our advertising efforts to promote our backup software products and the

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## RISK FACTORS

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renting of our office premises. We intend to apply the net proceeds from the Placing for, among other things, expanding our R&D team and advertising our backup software products. For details of our development and promotion of our backup software products, please refer to the section headed “Business Objectives and Future Plans — Implementation Plans” in this prospectus. For details of the renting of our office premises, please refer to the section headed “Connected Transactions — Continuing Connected Transactions — B. Non-exempt Continuing Connected Transaction” in this prospectus. As such, our Directors expect that staff costs and related expenses and administrative expenses may increase significantly after the Track Record Period, which may result our Group to record lower net profit margins from continuing operation for the two years ending 31 December 2015 and 2016 than the historical net profit margins from continuing operations during the Track Record Period.

Accordingly, our Shareholders and prospective investors should be informed that (i) the financial results of our Group for the year ending 31 December 2015 will materially and adversely be affected by the expenses expected to be recognised in our combined statements of profit or loss and other comprehensive income in relation to the Placing and the Listing; and (ii) our Group may record lower net profit margins from continuing operation for the two years ending 31 December 2015 and 2016 as a result of the estimated increase in staff costs and related expenses and administrative expenses.

### **Our software licence sales and our software upgrades and maintenance services are seasonal**

Our software licence sales and our software upgrades and maintenance services are seasonal, with relevant revenue generally being higher in the fourth quarter of the year than in the other quarters. For the year ended 31 December 2013 and the year ended 31 December 2014, our revenue from software licence sales and our software upgrades and maintenance services in the fourth quarter of each year represented over 33.3% of our annual revenue from software licence sales and our software upgrades and maintenance services. To the best of the knowledge of our Directors, our customers are inclined to spend their unused annual budget before the end of the year or make purchases before the end of the year in order to plan ahead for the next year. In addition, we usually organise annual year-end promotion and offer year-end discounts to encourage customers’ consumption. Accordingly, any comparison of our results of operations between our quarterly, interim and annual results in a financial year is not necessarily meaningful.

### **Any failure to protect our intellectual property rights could reduce the value of our products, services and brands**

Our copyrights, trademarks and other intellectual property rights are important assets to us. We use various intellectual property rights, in particular, software copyrights, in our daily business. We rely on a combination of measures such as entering into confidentiality agreements with our employees and restricting unauthorised access to our proprietary rights in products. Any unauthorised use of our trademark, domain name, copyright and other intellectual properties by our competitors in their corporate names or brands could harm our image and erode our competitive advantage. It is difficult to keep track of unauthorised use of our proprietary rights in our developed software.

Further, our intellectual property is exposed to theft and other forms of misappropriation. The validity, enforceability and scope of protection of intellectual property in the software and IT industry are uncertain and evolving.

Preventing unauthorised use of our intellectual property is therefore difficult, time-consuming and expensive, yet yielding limited and uncertain results. Misappropriation of our content, trademarks and other intellectual property could divert significant business to our competitors, damage our brand names and reputation, and may require us to initiate litigation that could be expensive, time consuming and require us to divert management resources from the operation of our business.



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## RISK FACTORS

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### **We cannot be certain that our business operations do not or will not infringe any valid copyrights or other intellectual property rights held by third parties**

We may in the future be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur royalty or licensing fees or be forced to develop alternatives. In addition, we may incur substantial expenses in defending against and investigating these third party infringement claims or divert significant management and staff resources, regardless of their merits. Any successful infringement or licensing claims against us may result in substantial monetary liabilities, prevent us from using important technologies, business methods, content or other intellectual property, prevent us from distributing our products through the use of injunctions or other legal means, which may materially disrupt the continuity of our business and the stability of our financial situation.

For details of our intellectual property rights, please refer to the section headed “Statutory and General Information — B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

### **Any failure to recover software development costs could affect our business prospects and profitability**

We consider our software development capability as one of the keys to our success. Our R&D team comprises 2 sub-teams, namely software development team and quality assurance team. Our software development team is responsible for the development of new features and component advancements of our backup software products and our quality assurance team is responsible for testing and ensuring functionality of our backup software products. For the years ended 31 December 2013 and 2014, our staff costs and related expenses in relation to our R&D team amounted to approximately HK\$9.1 million and HK\$8.9 million, respectively, representing approximately 15.7% and 16.5% of our total revenue respectively. For the three months ended 31 March 2014 and 31 March 2015, our staff costs and related expenses in relation to our R&D team amounted to approximately HK\$2.3 million and HK\$2.3 million, respectively, representing approximately 17.4% and 16.2% of our total revenue respectively. Our Directors presently intend to apply a portion of the net proceeds from the Placing for increasing the headcount of our R&D team.

By its nature, there is no guarantee that any software development activity would yield meaningful results or breed any revenue-generating products. Technical, operational, distribution or other problems may delay or prevent the introduction of new products or services to the market. Even if new products are developed and launched, there is no guarantee that they will be accepted by the market. The growth of our turnovers and profits in the future will heavily depend on the market performance of such new products. In the event that we fail to develop any new products or our new products do not receive the expected market acceptance, our business prospects and profitability may be adversely affected.

### **We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects**

The global backup software market is highly competitive, rapidly evolving and subject to changing technology, shifting user needs and frequent introductions of new products and services. There is a large supply of other software products and services in the market which serve purposes similar to the backup software products and services offered by us. We face intense competition and compete primarily with other backup software developers in the international markets. Our current or potential competitors may have greater operating experience and more financial, marketing and other resources than we do, which may offer them an advantage in developing backup software, conducting marketing and promotional activities and hiring talent, particularly, backup software developers. Intense competition may result in competitive pricing. If we fail to adjust our existing

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## RISK FACTORS

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products and/or services to the needs of our customers and their respective customers and compete effectively, we may lose customers, our market share may decrease and our business, operating results, financial condition and prospect will be materially and adversely affected.

**We are exposed to product liability risk and our insurance coverage may not adequately protect us against product liability**

Our backup software products are designed to be used with our customers' and end-users' systems and hardware. Although we have quality and assurance procedures in place to tests our backup software products, there is no assurance that all the bugs, errors or flaws in our backup software products have been detected and corrected. Any bugs, errors or flaws in our backup software products may cause damage to our customers' and/or end-users' system and hardware, and adversely affect our customers' and/or end-users' operations or the performance of such software products. As a result, we may incur additional costs in rectifying the defects or defending any potential claims from our customers. It may also affect our relationship with such customers and our reputation. At present, we do not maintain any product liability insurance. Although no legal claims or pending litigation proceedings against us in connection with our backup software products were brought to our attention during the Track Record Period and up to the Latest Practicable Date, there can be no assurance that there will not be such product liability claim in the future. A significant product liability claim may result in our incurring substantial costs and the diversion of resources. This could have an adverse effect on our results of operations and financial condition.

**We may be liable to third parties for information improperly displayed, delivered or shared through our products**

We offer high flexibility to our customers to rebrand and/or customise our Ahsay™ Backup Software. We have no control over our customers on certain customisation implemented or to be implemented on our Ahsay™ Backup Software, such as the contents of advertisements displayed or to be displayed in end-user interface. We may face liability for defamation, negligence, copyright and trademark infringement and other claims based on the nature and content of the materials that are displayed, delivered or shared through our products. We may incur significant costs in investigating and defending ourselves against any claims in respect of such information, even if they do not result in liability. These claims could have severely damage our reputation and could have an adverse effect on our business.

**Quality of the translation services provided by third parties engaged by us or our customers is not under our control. If the translation services provided by such third parties engaged by us or our customers are erroneous, defective or fail to meet the required standards, our business and reputation may be adversely affected**

Our Ahsay™ Backup Software is available in over 30 languages and dialects, including Traditional Chinese, Simplified Chinese, English, Dutch, French, Spanish, Portuguese, Japanese and Korean. Our CloudBacko Backup Software is available in Traditional Chinese, Simplified Chinese and English. We engage translation service providers or grant the rights to translate our backup software products to some of our customers to translate our backup software products into languages and dialects other than English, Traditional Chinese and Simplified Chinese as and when necessary. However, we are not able to control the quality of the translation services provided by such third parties engaged by us or our customers. If the translation services provided are erroneous, defective or failed to meet the required standards, our business and reputation may be adversely affected. We may also be subject to legal proceedings initiated by the aggrieved customers in respect of the product defects. In such event, we may need to incur additional costs to settle or defend these claims or legal actions which could have material adverse effects on our reputation and financial conditions.

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## RISK FACTORS

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**We could be adversely affected as a result of our operations and sales to customers in certain countries that are subject to evolving economic sanctions administered by the US, the EU, the United Nations and Australia and other relevant sanctions authorities**

Certain countries or organisations, including the US, the EU, Australia and the United Nations, have comprehensive or other broad economic sanctions targeting the Sanctioned Countries. During the Track Record Period, we had sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela. The total revenue generated from our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 accounted for approximately 0.16%, 0.18% and 0.17% of our total revenue for the same periods, respectively. For details of our business operations in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, see the section headed “Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela” in this prospectus.

We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, Australia or the United Nations, including, without limitation, any government, individual or entity that is the subject of any OFAC sanctions. We also undertake to the Stock Exchange that we will not enter into sanctionable transactions that would expose us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to risks of being sanctioned. If we breach any of these undertakings to the Stock Exchange after the Listing, it is possible that the Stock Exchange may delist our Shares. In order to ensure our compliance with these undertakings to the Stock Exchange, we will continuously monitor and evaluate our business and take measures to protect the interests of our Group and our Shareholders. For details of our internal control procedures, see the section headed “Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela — Our undertakings and internal control procedures” in this prospectus.

We cannot predict the interpretation or implementation of government policy at the US federal, state or local levels or any policy by the EU, the United Nations, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in the Sanctioned Countries and with Sanctioned Persons. We have no present intention to undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, or our Shareholders or investors to violate or become a target of sanctions laws of the US, the EU, the United Nations or Australia. However, we can provide no assurances that our future business will be free of risk under sanctions implemented in these jurisdictions or that we will conform our business to the expectations and requirements of the US authorities or the authorities of any other government that may not have jurisdiction over our business but nevertheless assert the right to impose sanctions on an extraterritorial basis. Our business and reputation could be adversely affected if the government of the US, the EU, the United Nations or Australia or any other governmental entity were to determine that any of our activities constitutes a violation of the sanctions they impose or provides a basis for a sanctions designation of our Company. In addition, because many sanctions programmes are evolving, new requirements or restrictions could come into effect which might increase scrutiny on our business or result in one or more of our business activities being deemed to have violated sanctions, or being sanctionable.

In addition, certain US state and local governments and universities have restrictions on the investment of public funds or endowment funds, respectively, in companies that are members of corporate groups with activities in certain Sanctioned Countries and with Sanctioned Persons. As a result, concern about potential legal or reputational risk associated with our historical and on-going operations in the Sanctioned Countries and with Sanctioned Persons could also reduce the marketability of the Placing Shares to particular investors, which could affect the price of our Placing Shares and Shareholders’ interests in us, despite our commitment not to direct the proceeds from the Placing to dealings with sanctioned parties. Before investing in our Shares, you should consider if

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## RISK FACTORS

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such investment would expose you to any of the US, the EU or other sanctions law risk arising from your nationality or residency. Any of these events could have an adverse effect on the value of your investment in us.

**We are exposed to interruption to our sales websites, which may interrupt our operations, damage our reputation and harm our results of operations**

During the Track Record Period, substantially all of our sales were generated from our sales websites. We have internal control measures in place to prevent our sales websites from interruption. Any failure to prevent our sales websites from being hacked and altered by any third party may result in interruptions in our operations, which may harm our business and damage our reputation. Any prolonged interruptions may result in the loss of customers, negative publicity and increased operating costs, any of which may significantly harm our business, financial condition and results of operations.

**Leakage or misappropriation of confidential information handled by us could have an adverse effect on our reputation and business operations**

During the course of providing our products and/or services, we may have access to and be entrusted with information that is confidential in nature, such as information that relates to customers' systems, operations, raw data or affairs. We have adopted measures to protect the confidentiality of our customers' information. However, there is no assurance that the steps taken by us will successfully prevent any leakage or misappropriation of confidential information of our customers. Any leakage or misappropriation of confidential information of our customers could expose us to the complaints or claims from our customers, which may have a material and adverse effect on our reputation and business operations.

**We are subject to risks relating to our third-party online payment vendors. If any of these third-party online payment vendors fails to process, or ensure the security of, customer's payments for any reasons, our reputation will be damaged and we may lose our business, financial condition and prospects**

We utilise third party payment vendors to facilitate our customers' payments through our sales websites. Over 80% of our revenue in the years ended 31 December 2013 and 2014 and over 70% of our revenue for the three months ended 31 March 2015 was derived from customers' payment through third-party payment vendors. Any scheduled or unscheduled interruption in the ability of our customers to use these and other third parties' payment system could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these vendors, secured transmission of confidential information, including credit card numbers and critical personal information of the customers over public networks, is essential to maintain their confidence in us and our products. We also rely on the stability of such payment transmission to ensure the continued payment services provided to our customers. We do not have control over the security measures of our third-party online payment vendors. If any of these third-party online payment vendors fails to process, or ensure the security of, customer's payments for any reasons, our reputation will be damaged and we may lose our business, financial condition and prospects.

**Our continued success depends on our ability to maintain and enhance our brand, any failure of which may materially and adversely affect our business, operating results and our financial conditions**

We believe that the brand awareness and trust we have established between our customers have significantly contributed to our success. Maintaining and enhancing the Ahsay brand will be critical to expanding our customer base and attracting talents. The strength of our brands will also affect the market acceptance of our future products and services. Adverse publicity (whether or not justified) relating to our products, services or us may tarnish our reputation and diminish the value of our

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## RISK FACTORS

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brand. Our brand will depend largely on our ability to provide high quality products and services. To maintain and enhance our brands, we may be required to make substantial investments in software development and marketing programmes that may later prove to be unsuccessful. If we fail to maintain and enhance our brand, future demand for our products and services may be reduced, and our business, operating results and financial condition may be materially and adversely affected.

**Our CloudBacko Backup Software targeting at end-users may not achieve the expected market acceptance. Our profitability may be adversely affected if we are unable to recover the investment costs**

In 2014, we introduced CloudBacko Backup Software, which is targeted at end-users. Our revenue generated during the Track Record Period was mainly derived from our customers which mainly include IT consultants, web hosting companies, telecommunications companies and MSPs, which provide IT and/or backup-related services to their respective customers by utilising our Ahsay™ Backup Software, and we are relatively inexperienced in serving end-users. Our business targeting at end-users is still at an initial stage. We cannot guarantee you that our CloudBacko Backup Software may reach our expected level of acceptance by end-users. In the event that the launching of our CloudBacko Backup Software is not successful, we may not be able to recover the investment costs of the development and marketing of the software, and as a result our profitability may be adversely affected.

**We are exposed to programme source code storage risk**

Currently our source code and master copies of software are stored at our premises. We backup the sources codes of our current software products and software products under development daily, and we have implemented restrictive access policy to such source code and master copies of software. Nonetheless, there is no assurance that such measures are adequate for the protection of our source code and master copies of software. They are still vulnerable to damage due to act of nature and other unexpected events. There can be no assurance that we can respond to such contingencies in a timely manner. Any damage to such source code and master copies of software could delay our time for launching new software.

**Our technology infrastructure may experience unexpected system failure or interruption**

Our technology infrastructure may encounter disruptions or other outage caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our growing operations will place increasing pressure on our servers and network capacities as we launch more software and further expand our customer base. We may encounter problems when upgrading our systems and undetected programming errors, which could adversely affect the access to our sales websites and the support we offer to our customers. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems, including storage and maintenance of servers in Hong Kong, the United States, the United Kingdom and the PRC. Any disruptions or other problems with these services are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favourable to us, or at all. Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures.

**We may not be able to successfully implement our strategies, or achieve our business objectives**

Our business objectives as set out in this prospectus are based on our existing plans and intentions. However, the objectives are based on prevailing circumstances and the development trend of the backup software industry currently known to our Directors. We intend to expand our existing



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## RISK FACTORS

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business in accordance with the objectives. We have to recruit additional employees with the necessary skills and knowledge to achieve our planned expansion. Our Directors believe that competition for skilled IT professionals is intense in Hong Kong. As a result, we may encounter shortages of skilled and competent personnel, which may hamper our ability to implement our strategies in the future. In addition, the planned expansion may result in significant expenditures incurred by us, which may or may not be recoverable, and may divert management's attention from other business concerns. There is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in us achieving our objectives. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

### **New business strategies formulated in the future could disrupt our Company's ongoing business and present risks not originally contemplated**

We may in the future formulate new business strategies. Such endeavours may involve mergers and acquisitions which involve significant risks and uncertainties, including distraction of management from current operations, insufficient revenue to offset the liabilities assumed and expenses associated with the strategies, inadequate return of capital and unidentified issues not discovered in our due diligence. There is no assurance that such strategies and initiatives will be implemented successfully and will not materially adversely affect our financial conditions and operating results.

### **Our backup software products and activities are and may become subject to laws and regulations of various jurisdictions, including Hong Kong and overseas markets. We cannot guarantee you that such laws and regulations would not apply to us or be interpreted in ways that could affect our business**

We may face risks and uncertainties posed by local political, regulatory environments and failure to comply with country-specific regulatory restrictions may expose us to fines, penalties and liabilities. As at the Latest Practicable Date, none of our backup software products had been challenged and subject to any regulatory actions by any governmental authorities in any of our target markets. However, there is no assurance that our backup software products will not be deemed as illegal or inappropriate in any of our target markets. Similarly, there is no assurance that our business will not be challenged or subject to any regulatory actions in any of our existing or future markets. If we are unable to offer any of our existing or new software in any of our target markets due to regulatory restrictions, our business, international expansion and growth prospects may be significantly harmed.

## **RISKS RELATING TO OUR INDUSTRY**

### **We may not be able to keep up with rapid technological changes and may be driven out of competition**

The backup software industry is featured by rapid technological changes, evolving industry standards, frequent introductions and enhancement of new products and services and changing customer demands. More advanced backup software products are introduced continuously. The introduction of new technology and the emergence of new industry standards may render our products to be obsolete and uncompetitive. Accordingly, our future success will depend on our ability to adapt to rapidly changing technologies and the evolving industry standards, to offer products to meet the changing demands of our customers and end-users and to continue improving the know-how of our staff in response to evolving demands of the market place. Failing to adapt to such changes would have a material adverse effect on our business.

### **The global macro economy may affect our industry, business and results of operations**

The revenue and profits of our customers have a significant impact on their investment in our products. The demands for backup software products and services may rise or fall along with the

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## RISK FACTORS

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overall global economic and business environment. If the external economic environment is in downturn, end-users may not be able to continue investing in IT infrastructure in relation to data backup and/or replication. As a result, our customers may adjust and control their budget and expenditure in accordance with the demand of end-users and the overall global economic development, thus affecting our industry, business and results of operations of the market players in the industry.

### **RISKS RELATING TO THE PLACING AND THE PERFORMANCE OF OUR SHARES**

#### **There may be limited liquidity in our Shares and volatility in the price of our Shares on GEM and could result in substantial loss for investors purchasing our Shares in the Placing**

Our Shares have not been traded in an open market before completion of the Placing. The Placing Price may not serve as an indicator of the price of our Shares traded on GEM in the future. The Placing Price is the result of negotiations between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and may be different from the market prices for our Shares after the Listing. There is no assurance that an active and liquid public trading market of our Shares will develop upon the Listing or if it does develop, that it may be sustained for any period of time after the Listing. The market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of the following factors, among other things, some of which are beyond our control:

- variation in our results of operation;
- technology advancements;
- changes in securities analysts' analysis of our financial performance;
- our announcement of significant acquisitions, dispositions, strategic alliances or joint ventures;
- addition or departure of our key personnel;
- fluctuations in market prices and trading volume of our Shares;
- our involvement in litigation;
- development of GEM; and
- general economic and stock market conditions in Hong Kong.

All such factors may result in significant fluctuations in the market price and/or transaction volume of our Shares. There is no assurance that such changes will not occur.

#### **Issue of new Shares under the Share Option Scheme or any future equity fund raising exercise will have a dilution effect and may affect our profitability**

We have conditionally adopted the Share Option Scheme but no option has been or will be granted thereunder prior to the Listing Date. Any exercise of the options to be granted under the Share Option Scheme in the future will result in a dilution in the shareholding of our Shareholders in our Company and may result in a dilution in the earnings per Share and net asset value per Share. The fair value of the share options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based expense, which may adversely affect our Group's results of operations.

#### **We may require additional funding for future growth**

We may be presented with opportunities to expand our business through acquisitions in the future. Under such circumstances, secondary issue(s) of securities after the Listing may be necessary



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## RISK FACTORS

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to raise the required capital to capture these growth opportunities. If additional funds are raised by means of issuing new equity securities in the future to new and/or existing Shareholders after the Listing, such new Shares may be priced at a discount to the then prevailing market price. Inevitably, existing Shareholders if not being offered with an opportunity to participate, their shareholding interest in our Company will be diluted. Also, if we fail to utilise the additional funds to generate the expected earnings, this could adversely affect our financial results and in turn exerts pressure to the market price of the Shares. Even if additional funds are raised by means of debt financing, any additional debt financing may, apart from increasing interest expense and gearing, contain restrictive covenants with respect to dividends, future fund raising exercises and other financial and operational matters.

**There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. We may not be able to pay any dividends on our Shares**

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our Group declared dividends of approximately HK\$2.0 million, HK\$21.6 million and HK\$46.0 million, respectively. However, our Group's historical dividend distribution should not be used as a reference or basis to determine the level of dividends that may be declared and paid by our Group in the future.

A decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Subject to the Companies Law and the Articles, our Company may declare dividends in any currency, but no dividend shall be declared in excess of the amount recommended by our Board. The Articles provide that dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which our Directors determine is no longer needed. Our Company can also pay dividends out of the share premium with the approval of our Shareholders and subject to a statutory solvency test. The decision to pay dividends will be reviewed in light of the factors such as the results of operations, financial conditions and positions, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that we will be able to declare or distribute any dividend or at all in the future. The dividend policy is subject to review by our Directors at any time and our Company may determine not to pay any dividends as a result of such review. Our future declarations of dividends will be at the absolute discretion of our Board.

**Future sale of the Shares or major divestment of our Shares by the Controlling Shareholders or substantial shareholders of our Company could adversely affect the Share price**

The sale of a significant number of Shares in the public market after the Listing, or the perception that such sale may occur, could adversely affect the market price of the Shares. Except as otherwise described in the section headed "Underwriting" in this prospectus and the restrictions set out by the GEM Listing Rules, there are no restrictions imposed on our Controlling Shareholders or substantial shareholders of our Company to dispose of their shareholdings. Any major disposal of Shares by any of our Controlling Shareholders or substantial shareholders of our Company may cause the market price of the Shares to fall. In addition, these disposals may make it more difficult for our Group to issue new Shares in the future at a time and price our Directors deem appropriate, thereby limiting our Group's ability to raise capital.

**Information contained in press articles or other media**

We wish to emphasise to prospective investors that we do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media coverage, and such information was not sourced from or authorised by us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any information contained in any press

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## RISK FACTORS

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articles or other media. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

This prospectus contains certain statements and information that are “forward-looking” and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “expect”, “estimate”, “intend”, “may”, “plan”, “seek”, “should”, “will”, “would” or similar terms. Those statements include, among other things, the discussion of our growth strategy and expectations concerning our future operations, liquidity and capital resources. Investors of our Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although we believe the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our control. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations that our plans or objectives will be achieved and investors should not place undue reliance on such forward-looking statements. We do not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed “Forward-looking Statements” in this prospectus for further details.

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## **WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES**

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### **CONTINUING CONNECTED TRANSACTION**

Member of our Group has entered into a transaction which would constitute a non-exempt continuing connected transaction for our Company under the GEM Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted to us, a waiver from strict compliance with certain requirements set forth in Chapter 20 of the GEM Listing Rules for such non-exempt continuing connected transaction. Further information of the non-exempt continuing connected transaction and the conditions of the waiver are set forth in the section headed “Connected Transactions” of this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

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

Printed copies of this prospectus are available, for information purposes only, at the respective offices of the Sole Sponsor and the Joint Lead Managers from Friday, 25 September 2015 to Wednesday, 7 October 2015 (both days inclusive and during normal office hours from 9:00 a.m. to 5:00 p.m. for business days only).

### **PLACING SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Placing which is sponsored by the Sole Sponsor. The Placing Shares will be fully underwritten by the Joint Lead Managers as the Underwriters pursuant to the Underwriting Agreement. For further information about the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE PLACING SHARES**

Each person acquiring the Placing Shares will be required to confirm or by his/her/its acquisition of the Placing Shares will be deemed to confirm that he/she/it is aware of the restrictions on the offer and sale of the Placing Shares described in this prospectus. Save as mentioned above, no action has been taken in any jurisdiction other than Hong Kong to permit a placing or the general distribution of this prospectus. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in relation to the Placing in any jurisdiction or, in any circumstance in which such an offer or invitation is not authorised, or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under any applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

Prospective investors for the Placing Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe the applicable laws, rules and regulations of any relevant jurisdictions.

The Placing Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing.

### **STRUCTURE AND CONDITIONS OF THE PLACING**

Further details of the structure and conditions of the Placing are set out in the section headed "Structure and Conditions of the Placing" in this prospectus.

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## **INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING**

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### **APPLICATION FOR LISTING OF THE SHARES ON GEM**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus.

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the Placing or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at all times after the Listing, our Company must maintain the “minimum prescribed percentage” of 25% or such applicable percentage of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

No part of the Shares or the loan capital of our Company is listed, traded or dealt in on any other stock exchange. At present, our Company is not seeking or proposing to seek listing of, or permission to deal in, any part of the Shares or loan capital on any other stock exchange.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

If investors are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or exercise of any rights in relation to the Placing Shares, they should consult an expert. It is emphasised that none of our Company, the Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, representatives or any other person or party involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to the Placing Shares.

### **HONG KONG BRANCH SHARE REGISTRAR AND STAMP DUTY**

The principal register of members of our Company will be maintained in the Cayman Islands by Codan Trust Company (Cayman) Limited, and the branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Tricor Investor Services Limited.

The Shares are freely transferable. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

All the Placing Shares will be registered on the branch register of members of our Company in Hong Kong. Dealings in the Shares registered on the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, our Shares on GEM and the compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for our Shares to

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## INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

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be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 8 October 2015. Shares will be traded in board lots of 10,000 Shares each. The stock code for our Shares is 8290. Our Company will not issue any temporary documents of title. Dealings in our Shares on GEM will be effected by participants of GEM whose bid and offer quotations will be available on the GEM's teletext page information system. Delivery and payment for our Shares dealt on GEM will be effected on the second business day following the transaction date. Only certificates for our Shares registered on the branch share register of our Company will be valid for delivery in respect of transactions effected on GEM. If you are unsure about the procedures for dealings and settlement arrangement on GEM on which our Shares are listed and how such arrangements will affect your rights and interests, you should consult your stockbroker or other professional advisers.

### LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

### ROUNDING

Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

### EXCHANGE RATE CONVERSION

Unless otherwise specified, amounts denominated in Renminbi and US dollar have been translated, for illustration purposes only, into Hong Kong dollar in this prospectus at the following rates:

- RMB1.00 = HK\$1.27; and
- US\$1.00 = HK\$7.80.

No representation is made that any amount in Renminbi, US dollar or Hong Kong dollar can be or could have been at the relevant dates converted at the above rates or any other rates, or at all.

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<b><i>Executive Directors</i></b>		
Mr. Chong King Fan (莊景帆)	Flat A, 37th Floor Tower 1, Manhattan Hill 1 Po Lun Street Kowloon Hong Kong	Chinese
Mr. Chong Siu Pui (莊小霽)	Flat A, 37th Floor Tower 1, Manhattan Hill 1 Po Lun Street Kowloon Hong Kong	Chinese
Mr. Chong Siu Ning (莊小靈)	Flat A, 7th Floor Tower 2, Manhattan Hill 1 Po Lun Street Kowloon Hong Kong	Chinese
<b><i>Non-executive Director</i></b>		
Ms. Chong Siu Fan (莊小秀)	Flat A, 8th Floor Tower 6, Manhattan Hill 1 Po Lun Street Kowloon Hong Kong	Chinese
<b><i>Independent non-executive Directors</i></b>		
Mr. Wong Cho Kei Bonnie (黃楚基)	8-A, Wing On Towers 9 Boyce Road Jardine's Lookout Hong Kong	Chinese
Ms. Wong Pui Man (黃佩文)	2912, 29th Floor, Southorn Garden 2 O'Brien Road Wanchai Hong Kong	Chinese
Mr. Wong Yau Sing (黃有成)	Flat C, 35th Floor Block 2, Oscar By The Sea Tseung Kwan O New Territories Hong Kong	Chinese

For further information on the profile and background of the Directors, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.



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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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### PARTIES INVOLVED IN THE PLACING

#### **Sole Sponsor**

V Baron Global Financial Services Limited  
*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO*  
18th Floor  
Prosperity Tower  
39 Queen's Road Central  
Hong Kong

#### **Sole Bookrunner**

Ping An Securities Limited  
*A corporation licensed under the SFO and permitted to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*  
Unit 02, 2/F  
China Merchants Building  
152-155 Connaught Road Central  
Hong Kong

#### **Joint Lead Managers and Underwriters**

V Baron Global Financial Services Limited  
*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO*  
18th Floor  
Prosperity Tower  
39 Queen's Road Central  
Hong Kong

Ping An Securities Limited  
*A corporation licensed under the SFO and permitted to carry on type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO*  
Unit 02, 2/F  
China Merchants Building  
152-155 Connaught Road Central  
Hong Kong

#### **Legal advisers to our Company**

*As to Hong Kong law:*  
K&L Gates  
*Solicitors, Hong Kong*  
44th Floor  
Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

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## DIRECTORS AND PARTIES INVOLVED IN THE PLACING

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*As to Hong Kong law (in relation to compliance with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance):*

Mr. Frederick Fong  
*Barrister-at-law*  
804A, Tower 1, Admiralty Centre  
18 Harcourt Road  
Admiralty  
Hong Kong

*As to International Sanctions laws:*

DLA Piper Hong Kong  
*Solicitors, Hong Kong*  
17th Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

*As to PRC law:*

Commerce & Finance Law Offices  
*PRC attorneys-at-law*  
27C, Te Qu Bao Ye Building  
No. 6008 Shennan Road  
Shenzhen  
PRC

*As to Cayman Islands law:*

Conyers Dill & Pearman  
*Cayman Islands attorneys-at-law*  
Cricket Square  
Hutchins Drive  
Grand Cayman KY1-1111  
Cayman Islands

**Legal advisers to the Sole Sponsor and the Underwriters**

*As to Hong Kong law:*  
ONC Lawyers  
*Solicitors, Hong Kong*  
19th Floor, Three Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Auditors and reporting accountants**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35th Floor, One Pacific Place  
88 Queensway  
Hong Kong

**Compliance adviser**

V Baron Global Financial Services Limited  
*A corporation licensed under the SFO and permitted to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO*  
18th Floor  
Prosperity Tower  
39 Queen's Road Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	28/F, Ford Glory Plaza No. 37 Wing Hong Street Lai Chi Kok Hong Kong
<b>Company's website</b>	www.ahsay.com.hk (The information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Mr. CHONG Kam Fung (莊金峰), <i>FCPA</i> Flat G, 19th Floor Block 3A, Tierra Verde 33 Tsing King Road Tsing Yi Hong Kong
<b>Authorised representatives</b>	Mr. CHONG Siu Pui (莊小霽) Flat A, 37th Floor Tower 1, Manhattan Hill 1 Po Lun Street Kowloon Hong Kong  Mr. CHONG Kam Fung (莊金峰), <i>FCPA</i> Flat G, 19th Floor Block 3A, Tierra Verde 33 Tsing King Road Tsing Yi Hong Kong
<b>Compliance officer</b>	Mr. CHONG Siu Pui (莊小霽)
<b>Audit committee</b>	Mr. WONG Yau Sing (黃有成) ( <i>Chairman</i> ) Mr. WONG Cho Kei Bonnie (黃楚基) Ms. WONG Pui Man (黃佩文)
<b>Remuneration committee</b>	Ms. WONG Pui Man (黃佩文) ( <i>Chairman</i> ) Mr. WONG Cho Kei Bonnie (黃楚基) Mr. WONG Yau Sing (黃有成)
<b>Nomination committee</b>	Mr. WONG Cho Kei Bonnie (黃楚基) ( <i>Chairman</i> ) Ms. WONG Pui Man (黃佩文) Mr. WONG Yau Sing (黃有成)
<b>Risk management committee</b>	Mr. CHONG Siu Pui (莊小霽) ( <i>Chairman</i> ) Mr. WONG Cho Kei Bonnie (黃楚基) Ms. WONG Pui Man (黃佩文)

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## CORPORATE INFORMATION

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<b>Principal share registrar and transfer office</b>	Codan Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Principal bankers</b>	Nanyang Commercial Bank, Limited 151 Des Voeux Road Central Central Hong Kong  Chong Hing Bank Limited Ground Floor, Chong Hing Bank Centre 24 Des Voeux Road Central, Hong Kong
<b>Compliance adviser</b>	V Baron Global Financial Services Limited 18th Floor Prosperity Tower 39 Queen's Road Central Hong Kong

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## INDUSTRY OVERVIEW

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*The information in the section below has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in this prospectus contain information extracted from a commissioned report, or the Frost & Sullivan Report, prepared by Frost & Sullivan for inclusion in this prospectus. See the sub-section headed "Sources of Information" below in this section. We believe that the sources of information of this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters or any party or affiliate involved in the Placing, other than Frost & Sullivan and no representation is given as to its fairness, correctness and accuracy. Accordingly, you should not place undue reliance on such information or statistics.*

### OVERVIEW OF GLOBAL BACKUP MARKET

**Definition of Backup:** it refers to an information technology that realises copying, archiving and restoring the data for the purpose of preventing data loss, corruption and disclosure of sensitive information from unauthorised access, server crash, human error or natural disaster, etc.

#### Development Progress of Global Backup Market:

According to Frost & Sullivan, global backup media has experienced the start-up period, the development period, and entered into the innovation and growth period, in which the backup media has largely innovated and varied and in which the efficiency and safety of backup has been greatly improved.

Along with the evolution of network and Internet technologies, backup software has undergone vigorous growth momentum. Cloud backup is an emerging technology applied in backup software market. As the concept of cloud backup embedded, cloud-based backup software has gradually received wide market acceptance and application by SMEs worldwide and is expected to become the main development tendency of global backup market.

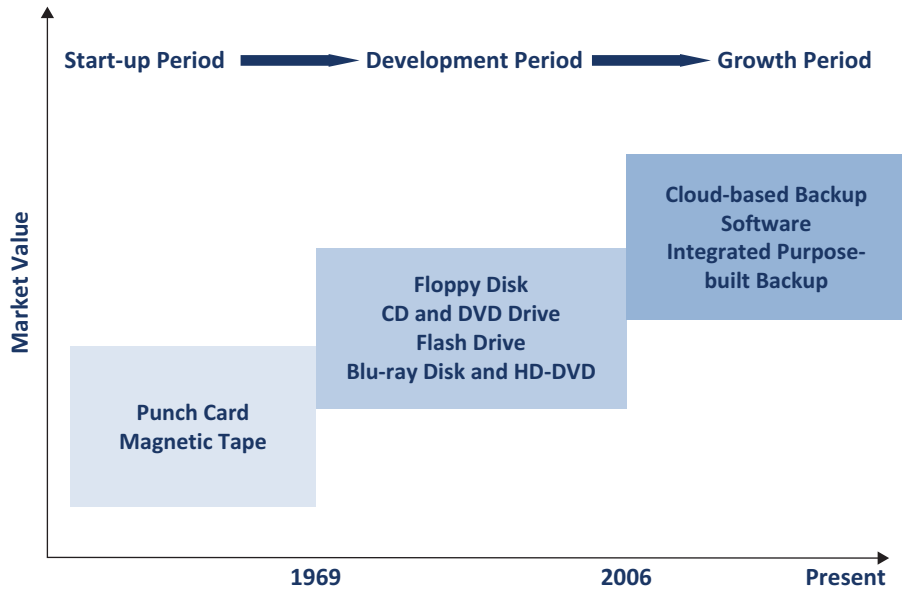
Cloud storage includes private cloud storage and public cloud storage. Private cloud storage, also known as internal cloud storage, implements storage virtualisation across an organisation, providing a centralised storage infrastructure that can only be accessed by authorised accounts. Private cloud storage operates by installing a data centre, which houses a series of storage clusters that are integrated with a storage virtualisation application. Private cloud storage is similar to public cloud storage in that it provides the usability, scalability and flexibility of the storage architecture. Unlike public cloud storage, it helps to resolve the potential issues of security and performance while still offering the benefits of cloud storage. Public cloud storage generally enables the sourcing of massive amounts of storage space on demand over the Internet, and is built over storage virtualisation, which logically distributes large storage arrays into a multitenant architecture shared among various users and applications. The type of content stored on the public clouds ranges from static non-core application data and archived content that needs to be available, to backup and disaster recovery data. Public cloud storage is not suitable for active content that is subject to changes all the time. Meanwhile, the primary concern of using public cloud storage in the enterprise is security and, to some extent, performance.

Ahsay™ Backup Software has been supporting private cloud storage since its introduction in 2003. AhsayCBS, a server-side component of the upcoming version 7 of our Ahsay™ Backup Software, is an integration of the technologies utilised in the current version of our Ahsay™ Backup Software and CloudBacko Backup Software, which will enable our Group's customers and the end-users to backup data to private cloud storage and/or public cloud storage of their choice. Hence AhsayCBS of the upcoming version 7 of our Ahsay™ Backup Software will provide a fuller spectrum of

## INDUSTRY OVERVIEW

cloud storage feature. According to Frost & Sullivan, our Group's cloud feature in our backup software products is in-line with the industry.

### Development Progress of Backup Market

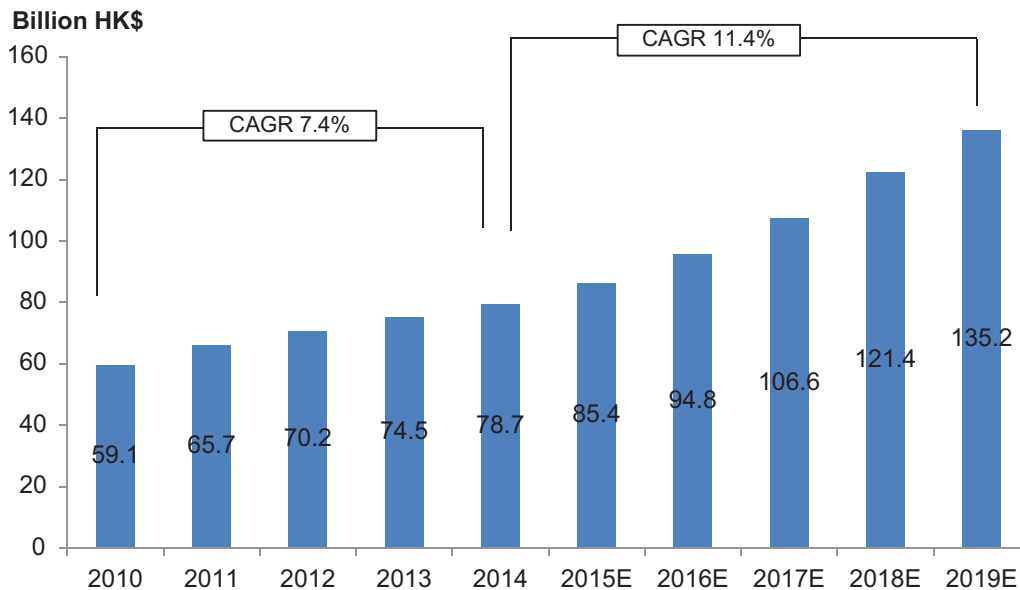


Source: Frost & Sullivan Report.

### Market Size of Global Backup Market:

Due to the steady growth of market demand, global backup market has witnessed healthy and stable development momentum in recent years. The market value has increased from HK\$59.1 billion in 2010 to HK\$78.7 billion in 2014, representing a CAGR of 7.4% from 2010 to 2014. Along with the prominent expansion of cloud-based online backup service, it is expected that the backup market will enjoy a rapid growth in the following years with a CAGR of 11.4% from 2014 to 2019.

### Market Size of Backup Market (Global), 2010-2019E



Source: Frost & Sullivan Report.

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## INDUSTRY OVERVIEW

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### GLOBAL BACKUP SOFTWARE MARKET ANALYSIS

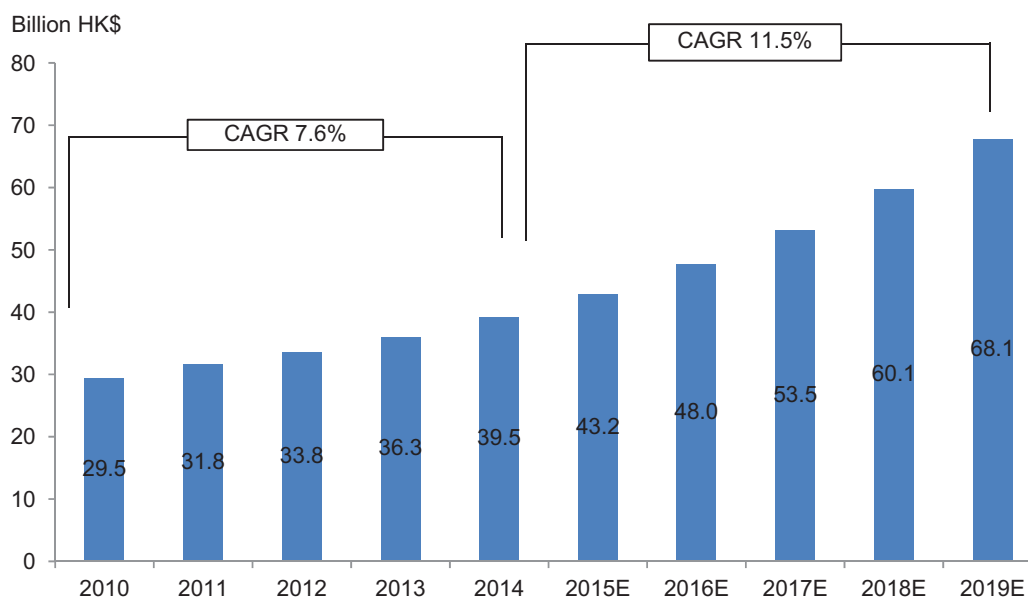
#### Market Opportunities of Global Backup Software Market:

- The development of virtualisation calls for technological upgrading of backup solution. Backup virtualisation has increased storage resource efficiency, flexibility and reliability. At the same time, the virtualisation of backup can largely save the costs to the beleaguered section of the datacentre.
- Cloud computing and Big Data bring new requirements of backup service. The capability to utilise Big Data has become a new competitiveness of a company or other organisations. Therefore, the importance of safe data backup service is self-evident. Besides the great capacity of storing large amount of data, cloud-based backup service also enjoys the advantages of making the process of backup more efficient, more user-friendly, cheaper and safer.

#### Market Size of Global Backup Software Market:

In the last four years, global and regional markets of backup software went through a relatively steady growth, with CAGRs of about 7% to 8%, among which North America (“NA”) augmented the fastest, with a CAGR of 7.9% from 2010 to 2014. In 2014, the global market size has reached HK\$39.5 billion. It could be expected that a robust long-term outlook for the next five years at a CAGR of 11.5% from 2014 to 2019 is on the run. Asia Pacific (“APAC”) is estimated to be the most promising region whose five-year revenue growth will presumably reach 13.3% because of the influences on technical progress and market consciousness. Europe, the Middle East and Africa (“EMEA”) is also expected to grow at a CAGR of 13.2% due to demand increase, and its revenue may achieve HK\$20.4 billion. Although North America is still going to be the market leader with estimated revenue of HK\$32.5 billion in 2019, its growth rate is slowing down as the market is being saturated.

**Market Size of Backup Software Market (Global), 2010-2019E**



Source: Frost & Sullivan Report.

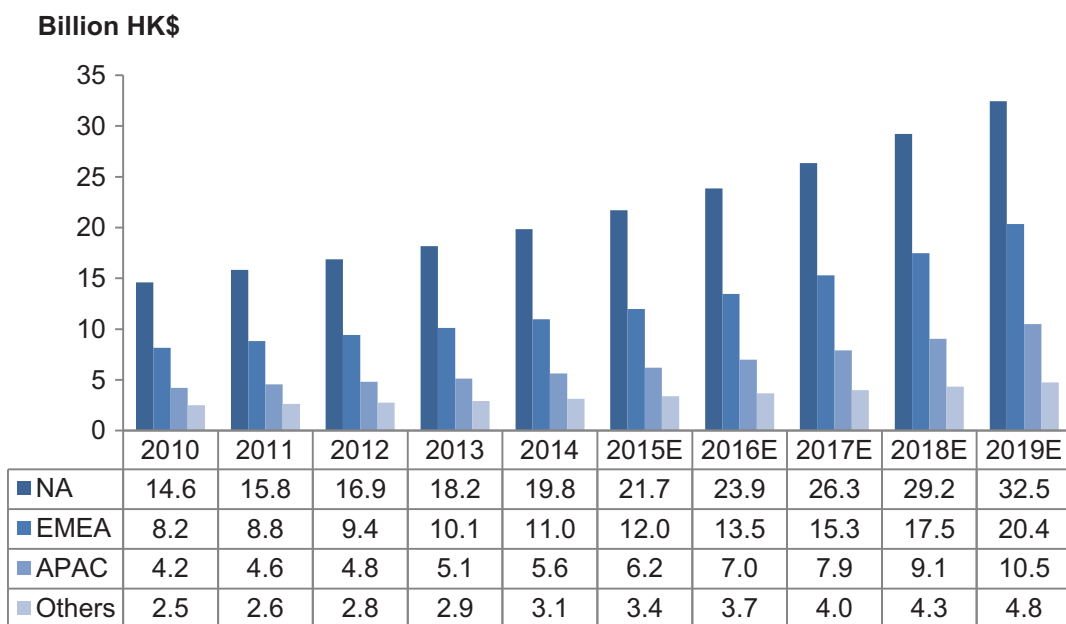


## INDUSTRY OVERVIEW

### Breakdown of Global Backup Software Market by Regions

(NA, EMEA, APAC, Others)

2010-2019E



Source: Frost & Sullivan Report.

Regarding the target customers of the global backup software market, large-scale enterprises have occupied the largest proportion and reached HK\$18.0 billion globally in 2014. SMEs, which refers to the small and medium-sized enterprises with fewer than 500 employed staff or less than HK\$390 million generated annual revenue, have witnessed prominent growth in backup software application. The market size of SMEs segment has increased from HK\$4.6 billion in 2010 to HK\$6.8 billion in 2014, representing a CAGR of 10.5% in that period.

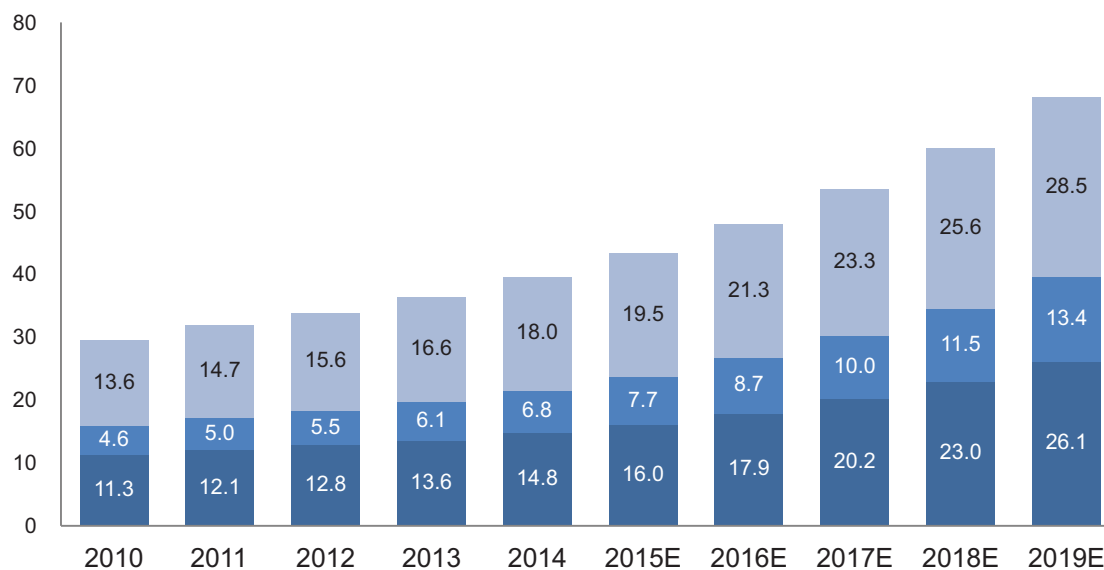
## INDUSTRY OVERVIEW

### Breakdown of Global Backup Software Market

(Large-scale Enterprises, SMEs, Government and Other Institutions),

2010-2019E

Billion HK\$



■ Large-scale Enterprises ■ SMEs ■ Government and Other Institutions

<u>CAGR</u>	<u>2010-2014</u>	<u>2014-2019E</u>
Large-scale Enterprises	7.9%	10.4%
SMEs	10.5%	13.2%
Government and Other Institutions	7.4%	13.3%

Source: Frost & Sullivan Report.

**Market Drivers of Global Backup Software Market:** According to Frost & Sullivan, the development of global backup software market has been mainly driven by the following six aspects:

- **Explosive Data Growth and Increased Value of Data.** As the era of Big Data has come, data has become a new form of essential production factors. The value of data has been clearly demonstrated in daily economic activities such as revenue analysis and marketing promotion.
- **Rising Consciousness of Enterprise Data Protection.** Due to the potential loss when data is damaged, enterprises have largely raised their consciousness of data protection. Aside from big enterprises, an increasing number of SMEs also seek for ways to backup their valuable data.
- **Continuous Technology Innovation and Progress.** The emergence of Big Data, cloud computing, social media and smart mobile terminal has tremendously motivated the IT industry, including backup industry, to continuously facilitate significant innovation and progress.
- **Rapid Development of Cloud Services.** Along with the rapid development of cloud computing around the world, relevant cloud technologies and applications appear and

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## INDUSTRY OVERVIEW

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various cloud-service-based products enter the market at a fast pace. Backup industry is no exception, and cloud has been applied in more and more online backup software service.

- **Wide Popularity of Mobile Devices.** Due to the relentless march of the Internet into people's daily life and the long-lasting development of manufacturing technologies at a fast pace, mobile devices have long gained wide popularity among people. This leads to a trend of cross-screen operation in online backup software market. Software users can log on their accounts across different mobile devices to get access to the same data base, greatly improving the convenience of managing data.
- **Pursuit of Customised and Differentiated Backup Service.** Despite the relatively developed market of online backup software, the enterprises in the industry have put in ceaseless effort to provide better service for the customers. A new focus in recent years is that enterprises start to pay closer attention to the differentiated needs of various customers. Enterprises customise the backup service and products in accordance with their customers' various needs so that the customers are able to achieve some specific aims respectively.

**Entry Barriers of Global Backup Software Market:** According to Frost & Sullivan, new entrants in the global backup software market are generally facing with entry barriers in the aspects of cooperative sales network, technical know-how, deep understanding on end-users' demand and talents with accurate market insight. Details of the entry barriers are as follows:

- **Cooperative Sales Network.** New comers intending to enter into the backup software market need to build their own distribution network and to establish a good cooperation relationship with its business partners, so as to better fit with different end-users' needs in the global market. As the leading enterprises in the backup software market have already built their stable and strong distribution network, it will be very hard for the new comers to push into the distribution network.
- **Technical Know-how.** Technical know-how is one of the most crucial elements in backup software market. Only with a strong grasp of technical know-how can a backup software company develop the right products with comprehensive functions for the users. Moreover, the technical development is not a once-and-for-all process. Apart from the initial product development, backup software companies need to provide upgrade regularly to ensure that their software products match the demand of their end-users. The leading enterprises in the backup software market are much more competitive against new comers in terms of technical know-how and product development due to their rich experience and professional developing teams.
- **Deep Understanding on End-users' Demand.** Understanding end-users' need is very important in the backup industry. The leading enterprises in the backup appliance market have rich database and experience in understanding their end-users' demand. Moreover, they provide different services based on different types of their end-users; some of the mature backup service providers even provide customised services to better meet the users' demand. On the contrary, new comers just start to adapt to the industry and they therefore lack a good command of the market and end-users. Therefore, it is hard for them to satisfy end-users' demands.
- **Talents with Accurate Market Insight.** Dedicated and experienced talents, who have accurate market insight, can generate infinite value in the backup software businesses. Large-scale backup service providers are committed to competing for excellent talents. It is, however, relatively hard for new comers to establish an efficient management team and talent pool, and to compete with larger established service providers in recruiting, especially to recruit those talents who are scarce globally.

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## INDUSTRY OVERVIEW

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**Market Trends of Global Backup Software Market:** The global backup software market is expected to witness further technological upgrading and innovation within backup industry under the era of Big Data. Cloud computing technology is likely to enjoy extensive application and create much more value in the backup software market. Meanwhile, the awareness of data backup among various mobile devices such as cell-phone and laptop has been raised substantially. This leads to the trend that users attach more importance to the application of data backup on mobile devices. Users tend to demand higher requirements on backup software service such as the privacy and exclusivity of the data backed up.

### Industry Norm

As confirmed by Frost & Sullivan, for backup software developers, it is an industry norm to develop and sell a single product with continuously upgraded versions. Backup software developers such as our Group, Vembu Technologies Pvt. Ltd. and NovaStor Corporation have established remarkable market positions and received wide market acceptance with their simple product lines. Renowned backup software products, such as the Ahsay™ Backup Software, generally enjoy strong user-stickiness due to higher replacement cost of users compared with the cost due to product upgrading. When the further upgrade ceases or a new version of the existing software is launched, the former version is generally still available for business support. However, the support and functions of old version are limited, thus the customers usually choose to upgrade to new version approximately every 2 years. Thus according to industry norm, the life span of a backup software product after ceasing to be further developed by its developer is approximately two years.

### Cloud Computing and Security

According to Frost & Sullivan, while public cloud storage facilitates the easy access and sharing of information among different users, there are risks for the information to be leaked to the hands of unauthorised and unintended persons or even damaged. Confronted with the potential security threats, data encryption has been attached much more importance. Preferably, the backup software being used to transfer and encrypt data between the users' devices and cloud storage should be developed and maintained by an independent software vendor other than the cloud storage service provider. This segregates the cloud storage service provision function from the cloud storage service enabling function, i.e. the cloud data transfer software, and further reduces the possibility of data leakage.

Meanwhile, although it is generally believed that all cloud storage service providers would employ all necessary security measures to ensure that users' data stored on their cloud storages is not vulnerable to data losses, keeping an extra on-premises copy of cloud data has become a very common business practice for companies who concern much on data confidentiality, integrity and availability.

For backup software providers whose products enable customers to backup data on public cloud storage, should there be any leakage or damage of data stored in public cloud storage as a result of insufficient security measures, a loss of confidence in such products, or complaints or claims from customers of such backup software providers, may occur and may adversely affect the business of such backup software providers.

### Purchase and Leasing of Backup Software

Purchase and leasing of backup software are two modes of sales when potential customers are looking for data storage and backup software. In the initial period, customers mainly prefer leasing software due to the benefits of (i) less upfront cash outflow; (ii) tax deductions; (iii) flexible payment terms; and (iv) better cash flow management. Therefore, most of the backup software suppliers provide the leasing option in response to the market demand. With users' satisfaction and experience guaranteed, customers tend to purchase backup software in order to obtain permanent product ownership without recurring expense.

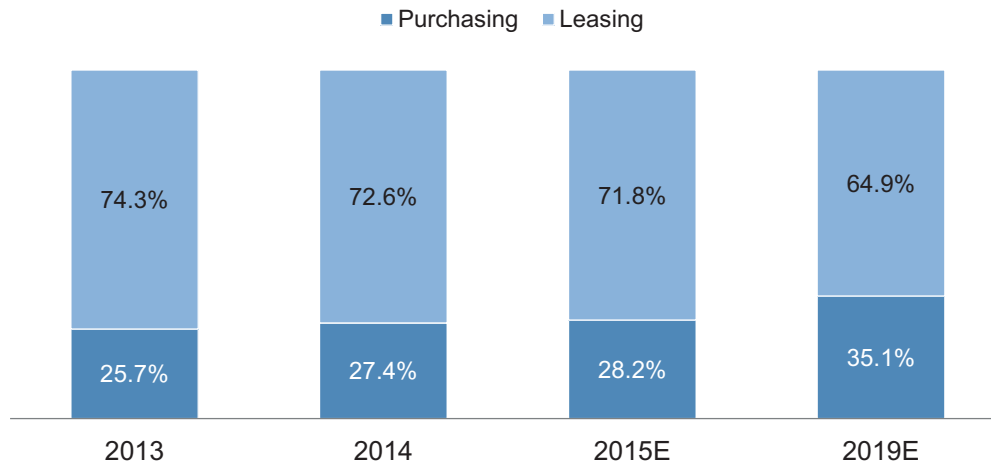
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## INDUSTRY OVERVIEW

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As the market matures, customers become more familiar with the specific backup software, and more and more customers are willing to apply the specific backup software for long term usage; thus, there is an increasing trend for the purchase of backup software. As shown in the bar chart below, the percentage of leasing accounted for over 71.0% of the market size in 2013, 2014 and 2015, while the percentage of purchase gradually increased from 25.7% in 2013 to 28.2% in 2015 and is expected to gain a larger share of 35.1% in 2019.

**Market Size of Global Backup Software Market Breakdown by Modes of Sales,  
2013, 2014, 2015E & 2019E**



Source: Frost & Sullivan

### COMPETITIVE LANDSCAPE OF GLOBAL BACKUP SOFTWARE MARKET

**Competitive Landscape Overview:** The global backup software market has witnessed sustained development momentum and fierce competition status with various kinds and scales of enterprises. Generally, the enterprises that provide backup software service can be divided into three major categories.

- (1) The first category is the **comprehensive backup solution providers**, which accounts for approximately 35% of the total market size of global backup market in 2014. Their business involves a wide range of service and products regarding data backup. They do not only provide products including both hardware and software, but also offer integrated service to their clients. Many of them are even large-scaled listed companies with their operation spread around the world. Among them, EMC, Symantec, and NetApp are the three typical and large global players which are listed companies in this field, leading the global backup solution market.
- (2) The second category is the **backup service providers specialised in software**, occupying almost 45% of the total market size of global backup market in 2014. Instead of focusing on providing hardware service, some global companies deal professionally with software service regarding data storage, backup and recovery. Usually, their businesses cover various kinds of clients, ranging from large companies to SMEs. The typical backup service companies are Novastor, Comm Vault Systems, FalconStor Software and so on.
- (3) In addition, there stays the third category including the enterprises that are **backup software providers catering to SMEs**, with market share of approximately 20% of the total global backup market in 2014. Globally, there are some companies specialised in providing backup

## INDUSTRY OVERVIEW

software service and received notable market performance in recent years. They usually possess flexible business operation and stable customer base, which mostly focus on SMEs. Meanwhile, companies like our Group provides all-in-one backup software products with rapid upgrading speed, which facilitates them to stably grasp certain market position globally.

### Ranking of Hong Kong Backup Software Companies Catering to SMEs Globally

For backup software companies catering to SMEs, Hong Kong companies have just occupied a small proportion of the global size. Amongst the market players, our Group has represented remarkable superiority with market share of 0.8%. According to Frost & Sullivan, our Group has a competitive edge over market players of the global backup software market catering to SMEs, as we (i) have a strong in-house R&D team; and (ii) run a strong technical knowledge base, Ahsay™ Knowledge Base, a website with a discussion forum at our sales website at [www.ahsay.com](http://www.ahsay.com), where first hand market information such as product development and technology advancement is provided to our customers. Company A, a company providing IT services including consultancy, support services and project management, and Company B, a company providing Internet roaming and line backup services to ensure connectivity to the Internet, have followed behind with market share of 0.2% and 0.2% of the global backup software market catering to SMEs in 2014.

Along with the further development of the market, the concentration level of the market competition is expected to further increase, as the leading market players are expected to take up more market share, with more advanced competitive advantages.

### Ranking of Hong Kong Backup Software Companies Catering to SMEs Globally, 2014

Ranking	Company	Principal Business	Revenue <sup>(1)</sup> (Million HK\$)	Market Share
1	Our Group <sup>(2)</sup>	Provision of backup software products and services	53.8	0.8%
2	Company A	Provision of IT services including consultancy, support services and project management	15.3	0.2%
3	Company B	Provision of Internet roaming and line backup services to ensure connectivity to the Internet	13.7	0.2%
4	Company C	Provision of IT services including computer support, online backup, network security and network support	7.2	0.1%
5	Company D	Provision of software products and IT services, such as online backup services, in conjunction with cloud-based applications and solutions	6.6	0.1%

Source: Frost & Sullivan Report.

Notes:

(1) The revenue excludes sale of hardware devices. During the year ended 31 December 2014, our total revenue was approximately HK\$54.0 million and our revenue from sale of hardware devices was approximately HK\$172,000.

(2) Our customers include IT consultants, web hosting companies, telecommunications companies and MSPs. To the best knowledge and information of our Directors, the respective customers of our customers are mainly SMEs.

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## INDUSTRY OVERVIEW

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### Competition with Cloud Storage Service Providers

According to Frost & Sullivan, although public cloud storage service providers also provide backup software for users to back up their data to public cloud, such backup software generally provides basic backup features and is generally more suitable for personal and home users using desktop or laptop computers. Such software usually lacks many of the sophisticated features that are provided by leading backup software providers such as our Group, whose backup software is well capable of, amongst others, (i) supporting the backing up of various virtual machines and business applications; (ii) creating multiple backup sets for different backup sources; and (iii) providing flexible backup schedules for end-users. It costs much more for cloud storage providers to develop backup software that is comparable to our Group's backup software products than to purchase licences from our Group, not to mention the time required to develop backup software themselves and the uncertainties involved. Therefore, given the differences in target users and features provided, the cloud service providers have not formed sound threats to our Group's market position.

### RECENT UPDATES ON THE IT INDUSTRY

According to Frost & Sullivan, with the Edward Snowden scandal effect and devastating cyber-attacks on the rise, tech companies have attached much more importance to improving encryption technology with higher standards. However, having considered the increasing threats of cyber security and terrorists' activities, governments and law enforcement agencies are seeking for the right to use secret keys to monitor massive data. As such, the IT industry is facing a backlash from some users who suspect tech companies are complicit in allowing their data to be stored under surveillance. Although tech companies have adopted relatively complex encryption algorithm, users in general still consider themselves in unfavourable situations in respect of monitoring their own data due to the fact that only tech companies possess decryption knowledge.

At present, the heated debate on surveillance and privacy issues seems to have no obvious impact on tech companies' process of improving encryption technology. Meanwhile, regaining users' trust and guaranteeing the security of digital data and user privacy have become the new developing trend in the whole IT industry. The companies that sell IT and communications systems tend to allow users to have more control over encryption algorithm. IBM, for instance, opened its mainframe computer technology to allow users to adopt their own encryption algorithms this year. Big Blue has even licensed its server-chip technology to Chinese manufacturers in a way that gives them control over encryption. Tech companies such as Facebook, Apple and Microsoft have already adopted end-to-end encryption algorithm to some of their social network services, such as WhatsApp, iMessage, and Skype. Data storage services may take a similar way. Dropbox, one of the leading public cloud data storage service providers, has introduced a platform so that to allow users to bring their own encryption.

Since the debate on surveillance and privacy issues has not gained obvious effect, the IT industry will continue focusing more on the upgrading of encryption technology and no negative impacts appear to affect the further expansion of our Group's business.

### SOURCES OF INFORMATION

Our Group commissioned Frost & Sullivan, a market research consultant, to prepare an industry report for use in this prospectus (the "Frost & Sullivan Report"). Our Group has agreed to pay a fee of approximately HK\$744,000 for the Frost & Sullivan Report, which will be fully paid prior to the Listing. Our Group is of the view that the payment of such fee does not affect the fairness of the conclusions drawn in the Frost & Sullivan Report.

Established in 1961, Frost & Sullivan provides market research on a variety of industries, including software market. The Frost & Sullivan Report includes information on global backup



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## INDUSTRY OVERVIEW

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software market. In preparing the Frost & Sullivan Report, Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the industry key drivers.

Frost & Sullivan, the Sole Sponsor and we believe that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analysed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected.

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## REGULATORY OVERVIEW

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### HONG KONG LAWS AND REGULATIONS

#### Companies laws

Our Company is incorporated under the laws of the Cayman Islands as an exempted company and is registered as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). Our Company is subject to provisions under the Companies Ordinance, including but not limited to, registration of names used to carry on business in Hong Kong, registration of the details of an authorised representative with the Companies Registry and delivery of annual return for registration.

#### Business registration

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business in Hong Kong to apply for business registration within 1 month from the date of commencement of the business, and to display a valid business registration certificate at the place of business. Hence, in respect of the operation of the Group in Hong Kong, the Group is required to obtain business registration certificates.

#### Supply of goods

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) aims to codify the laws relating to the sale of goods. It provides that:

- (a) under section 15, there is an implied condition that the goods shall correspond with the description where there is a contract for the sale of goods by description;
- (b) under section 16, there is an implied condition that the goods supplied under the contract are of merchantable quality where a seller sells goods in the course of a business, except that there is no such condition (i) as regards defects specifically drawn to the buyer's attention before the contract is made; or (ii) if the buyer examines the goods before the contract is made, as regards defects which that examination ought to reveal; or (iii) if the contract is a contract by sample, as regards defects which would have been apparent on a reasonable examination of the sample; and
- (c) under section 17, where there is a contract for sale by sample, there are implied conditions that (i) the bulk shall correspond with the sample in quality, (ii) the buyer shall have a reasonable opportunity of comparing the bulk with the sample, and (iii) the goods shall be free from any defect, rendering them unmerchantable, which would not be apparent on reasonable examination of the sample.

Any right, duty or liability which arises under a contract of sale of goods by implication of law may be negated or varied by express agreement, or by course of dealings between the parties, or by usage if the usage is such as to bind both parties to the contract, subject to the Control of Exemption Clauses Ordinance (Chapter 71 of the Laws of Hong Kong).

#### Supply of services

The Supply of Services (Implied Terms) Ordinance (Chapter 457 of the Laws of Hong Kong) aims to consolidate and amend the laws with respect to the terms to be implied in contract for the supply of services (including a contract for the supply of a service whether or not goods are also transferred or to be transferred, or bailed or to be bailed by way of hire). It provides that:

- (a) under section 5, there is an implied term that the supplier will carry out the service with reasonable care and skill where the supplier is acting in the course of a business; and

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## REGULATORY OVERVIEW

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- (b) under section 6, where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service within a reasonable time if the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties.

Where a supplier is dealing with a party to a contract for the supply of a service who deals as a consumer, the supplier cannot, by reference to any contract term, exclude or restrict any liability of his arising under the contract by virtue of the Supply of Services (Implied Terms) Ordinance. Otherwise, where any right, duty or liability would arise under a contract for the supply of a service by virtue of the Supply of Services (Implied Terms) Ordinance, it may (subject to the Control of Exemption Clauses Ordinance) be negated or varied by express agreement, or by the course of dealing between the parties, or by such usage as binds both parties to the contract.

### **Control of exemption clauses**

The Control of Exemption Clauses Ordinance aims to limit the extent to which civil liability for breach of contract, or for negligence or other breach of duty can be avoided by means of contract terms and otherwise. It provides that:

- (a) under section 7, a person cannot by reference to any contract term or to a notice given to persons generally or to particular persons exclude or restrict his/her/its liability for death or personal injury resulting from negligence and in the case of other loss or damage, a person cannot exclude or restrict his/her/its liability for negligence except in so far as the term or notice satisfies the requirement of reasonableness;
- (b) under section 8, as between contracting parties where one of them deals as consumer or on the other's written standard terms of business, as against that party, the other cannot by reference to any contract term (i) when himself/herself/itself in breach of contract, exclude or restrict any liability of his/her/its in respect of the breach, or (ii) claim to be entitled to render a contractual performance substantially different from that which was reasonably expected of him/her/it, or (iii) claim to be entitled in respect of the whole or any part of his/her/its contractual obligation, to render no performance at all, except in so far as the contract term satisfies the requirement of reasonableness;
- (c) under section 9, a person dealing as a consumer cannot by reference to any contract term be made to indemnify another person in respect of liability that may be incurred by the other for negligence or breach of contract, except in so far as the contract term satisfies the requirement of reasonableness; and
- (d) under section 11, as against a person dealing as consumer, the liability for breach of the obligations arising under section 15, 16 or 17 of the Sale of Goods Ordinance cannot be excluded or restricted by reference to any contract term, and as against a person dealing otherwise than as consumer, the liability arising under section 15, 16 or 17 of the Sale of Goods Ordinance can be excluded or restricted by reference to a contract term, but only in so far as the term satisfies, the requirement of reasonableness.

Sections 7, 8 and 9 of the Control of Exemption Clauses Ordinance do not apply to any contract so far as it relates to the creation or transfer of a right or interest in any patent, trade mark, copyright, registered design, technical or commercial information or other intellectual property, or relates to the termination of any such right or interest.

In relation to a contract term, the requirement of reasonableness for the purposes of the Control of Exemption Clauses Ordinance is satisfied only if the court or arbitrator determines that the term was a fair and reasonable one to be included having regard to the circumstances which were, or ought reasonably to have been, known to or in the contemplation of the parties when the contract was made.

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## REGULATORY OVERVIEW

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### Electronic transactions

The Electronic Transactions Ordinance (Chapter 553 of the Laws of Hong Kong), aims to facilitate the use of electronic transactions for commercial and other purposes, and to establish the legal framework for the recognition of electronic records and signatures, giving them the same legal status as their paper counterparts. It provides that:

- (a) under section 5, if a rule of law requires or permits information to be or given in writing, the use of electronic records (subject to the fulfilment of certain conditions) satisfies the rule of law;
- (b) under section 5A, if a rule of law under a statutory provision specified in Schedule 3 to the Electronic Transactions Ordinance requires or permits a document to be served on a person by personal service or by post, the service of the document in the form of an electronic record (subject to the fulfilment of certain conditions) satisfies the rule of law;
- (c) under section 6, if a rule of law requires a signature of a person on a document and neither the person whose signature is required nor the person to whom the signature is to be given is or is acting on behalf of a government entity, an electronic signature (subject to the fulfilment of certain conditions) satisfies the requirement;
- (d) under section 6, if a rule of law requires a signature of a person on a document and the person whose signature is required and/or the person to whom the signature is to be given is/are acting on behalf of a government entity/entities, a digital signature (subject to the fulfilment of certain conditions) satisfies the requirement;
- (e) under section 7, if a rule of law requires certain information to be presented or retained in its original form, that requirement is satisfied by presenting or retaining the information in the form of electronic records (subject to the fulfilment of certain conditions); and
- (f) under section 8, if a rule of law requires certain information to be retained, whether in writing or otherwise, that requirement is satisfied by retaining electronic records (subject to the fulfilment of certain conditions).

### Taxation

#### *Profits Tax*

Pursuant to the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong), profits tax shall be charged for each year of assessment at the standard rate on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong for that year from such trade, profession or business. The standard rate of profits tax for the years of assessment of 2012/2013, 2013/2014, 2014/2015 and 2015/2016 is 16.5%.

### Regulations Relating to Intellectual Property

#### *Copyright Law*

Under the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong), the owner of the copyright in a work gives the copyright owner the exclusive right to, among other things, reproduce or issue copies of the work to the public. It is an infringement for a third party to do those acts without the consent of or a licence from the copyright owner. If an infringement occurs, the copyright owner can bring an action seeking damages or an injunction to restrain the unauthorised copying.

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## REGULATORY OVERVIEW

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Pursuant to the Copyright Ordinance, provision is made to protect copyright works of computer programmes. The Group has not registered the copyright of its software systems in Hong Kong as there is no formal procedure to register copyrights of computer software system in Hong Kong. Should there be any formal procedure to register copyright of computer software system in Hong Kong in the future, the Group may consider to register the copyright of its software systems in Hong Kong.

As confirmed by the Directors, during the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim for copyrights infringement.

### *Trademark Law*

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) is a statute enacted to make provision in respect of the registration of trade marks and for connected matters.

The Trade Marks Ordinance provides, amongst other things, that a person infringes a registered trade mark if the person uses in the course of trade or business a sign which is:

- (1) identical to the trade mark in relation to goods or services which are identical to those for which it is registered;
- (2) identical to the trade mark in relation to goods or services which are similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public;
- (3) similar to the trade mark in relation to goods or services which are identical or similar to those for which it is registered, and the use of the sign in relation to those goods or services is likely to cause confusion on the part of the public; or
- (4) identical or similar mark in relation to goods or services which are not identical or similar to those for which the trade mark is registered, where the trade mark is entitled to protection under the Paris Convention as a well-known trade mark, and the use of the sign, being without due cause, takes unfair advantage of, or is detrimental to, the distinctive character or repute of the trade mark.

Under the Trade Marks Ordinance, the owner of a trade mark is entitled to bring infringement proceedings against a person infringing his or her or its trade mark for damages, injunctions, accounts and any other relief available in law.

As at the Latest Practicable Date, we registered certain trademarks in Hong Kong relating to our business. As confirmed by our Directors, we did not receive any claim for trade mark infringement during the Track Record Period. For further details of our material intellectual property rights in Hong Kong, please refer to the section headed “Statutory and General Information – B. Further Information about the Business of our Group – 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

### **Regulations Relating to Employment**

The main piece of legislation governing conditions of employment in Hong Kong is the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). It provides for various employment-related benefits and entitlements to employees. Pursuant to the Employment Ordinance, all employees covered, irrespective of their hours of work, are entitled to basic protection including payment of wages, restrictions on wages deductions and the granting of statutory holidays, etc. Employees who are employed under a continuous contract are further entitled to benefits such as rest days, paid annual leave, sickness allowance, severance payment and long service payment, etc.

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## REGULATORY OVERVIEW

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A no-fault, non-contributory employee compensation system for work injuries is established under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). The Employees' Compensation Ordinance in general applies to employees who are employed under a contract of service or apprenticeship. Employees, employed in Hong Kong by local employers, are also covered if they are injured while working outside Hong Kong. An employer is liable to pay compensation in respect of occupational diseases specified in the Employees' Compensation Ordinance suffered by the employees; or in respect of injuries sustained by his employees as a result of an accident arising out of and in the course of employment.

The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) provides an employment-based retirement protection system, the Mandatory Provident Fund scheme ("MPF"), a defined contribution retirement scheme administered by independent trustees. Except for exempt persons, both regular or casual employees and self-employed persons who are at least 18 but under 65 years of age and is normally residing and working in Hong Kong are required to join the MPF scheme. Mandatory contributions made by both the employer and employee are fully and immediately vested in the employee once they are paid to the trustee. Under the MPF scheme, the employer and, where the monthly income is HK\$7,100 or more, the employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contributions for and in respect of the employee, subject to a statutory maximum cap of HK\$1,500 per month.

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) applies to all employees being engaged under a contract of employment under the Employment Ordinance, except those employed as domestic workers in, or in connection with, a household and who dwell in that household free of charge, student interns and work experience students during a period of exempt student employment. It provides the wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage rate. The statutory minimum hourly wage rate with effect from 1 May 2015 is HK\$32.5 per hour.

### PRC LAWS AND REGULATIONS

#### Major Policies on Software Industry

In the PRC, the government strongly encourages and supports software development and related products. On 24 June 2000, the State Council promulgated Several Policies on Encouraging the Development of the Software and Integrated Circuit (IC) Industries (Guo Fa [2000] No. 18) (《鼓勵軟件產業和集成電路產業發展的若干政策》(國發 [2000] 18號)) (the "No. 18 Policy"), which strives to make the R&D in and the production capacity of China's software industry reach or approach advanced international levels by 2010. Strong support was also provided for the development of the software industry by formulating policies regarding investment and financing, tax, industrial technology, export, income distribution, human resources, procurement, certification of software enterprises, protection of intellectual property rights, industry organisations and industry administration.

Under the Decision of the State Council on Issues Concerning Cancelling and Adjusting a Batch of Administrative Examination and Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》(國發 [2015] 11號)) (the "Decision of Cancelling Examination and Approvals"), effective on 24 February 2015, recognition of software enterprise as an item of administrative examination and approval has been cancelled.

On 28 January 2011, the State Council promulgated Several Policies on Further Encouraging the Development of the Software and Integrated Circuit (IC) Industries (Guo Fa [2011] No. 4) (《進一步鼓勵軟件產業和集成電路產業發展的若干政策》(國發 [2011] 4號)) (the "No. 4 Policy"), which stated that the software industry is a strategic emerging industry of the state and an important foundation for national economic and social informationisation. It proposed to continue to improve the incentive



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## REGULATORY OVERVIEW

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measures and clarify the guidance on such policies, so as to optimise the environment for industrial development, enhance technology innovation capabilities, and increase the quality and level of industrial development. Meanwhile, strong support would be provided for the development of the software industry by formulating policies regarding tax, investment and financing, R&D, import and export, human resources, protection of intellectual property rights and marketing.

On 22 February 2013, the National Development and Reform Commission (the “NDRC”) promulgated the Announcement of NDRC [2013] No.16-Guiding Catalogue of Key Products and Services in Strategic Emerging Industries (《戰略性新興產業重點產品和服務指導目錄》), clearly confirming the high-end software and emerging information services industry as a strategic emerging industry.

### Regulations on Software Enterprises Certification

The PRC implements a certification system regarding the entitlement of software enterprises to the policy incentives.

On 16 October 2000, the former Ministry of Information Industry (currently known as MIIT), the Ministry of Education, the Ministry of Science and Technology and the State Administration of Taxation (the “SAT”) promulgated and implemented Certifying Standard and Administrative Measures for Software Enterprises (for Trial Implementation) ([2000] No.968 of the Ministry of Information Industry) (《軟件企業認定標準及管理辦法(試行)》(信部聯產 [2000] 968號)) (the “No. 968 Measure”). According to the No. 968 Measure, certified software enterprises with a valid Software Enterprise Certificate of the year could go through the relevant procedures with the relevant authorities to enjoy the incentives stated in the No. 18 Policy.

On 6 February 2013, NDRC, the Ministry of Industry and Information Technology (the “MIIT”), the Ministry of Finance (the “MOF”) and the SAT promulgated and implemented Administrative Measures for the Certification of Software Enterprises ([2013] No. 64 of the MIIT) (《軟件企業認定管理辦法》(工信部聯軟 [2013] 64號)) (the “No. 64 Measure”), which elaborated on the standards and procedures on software enterprises certification. Under the No. 64 Measure, the software enterprises that have obtained a Software Enterprise Certificate could go through the relevant procedures with the relevant authorities to enjoy the incentives. In case of inconsistencies with any existing provisions, the No. 64 Measure shall prevail.

On 9 August 2012, the NDRC, MIIT, MOF, the Ministry of Commerce (the “MOFCOM”), and the SAT promulgated and implemented Trial Measures for the Administration over the Certification of Key Software Enterprises and IC Design Enterprises under State Planned Layout (Notice No. 2413 [2012] of the NDRC) (《國家規劃佈局內重點軟件企業和集成電路設計企業認定管理試行辦法》(發改高技 [2012] 2413號)) (the “No. 2413 Measure”). Under the No. 2413 Measure, certified key software enterprises under the state planned layout could go through tax reduction procedures with the competent tax authorities to enjoy preferential tax policies pursuant to the Law of the PRC on Enterprise Income Tax (the “EIT Law”) (《中華人民共和國企業所得稅法》) and its implementing regulations and the Law of the PRC on the Administration of Tax Collection (《中華人民共和國稅收徵收管理法》) and its implementing rules.

### Regulations on Software Product Registration

Under the Administrative Measures of Software Products (《軟件產品管理辦法》(工業和信息化部令第9號)) (the “No. 9 Measures of MIIT”) promulgated by MIIT on 5 March 2009 and effective on 10 April 2009, a registration and filing system for software products has been implemented in the PRC. Domestic software products which comply with relevant provisions and have completed registration and filing procedures can enjoy the incentive policies regarding software industry development in the PRC. The development and production units of software products can engage in direct sales of its software products. The development, production, sales, import and export of software products shall comply with the relevant laws and regulations. No unit or individual



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## REGULATORY OVERVIEW

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shall develop, produce, sell, import and export software products which may infringe the intellectual property rights of others, contain computer viruses, could harm computer system security or do not meet the software standards of the PRC.

Where products of imported software are locally developed and produced within the PRC, for the part developed within the PRC, the copyright owner and the original developer may provide certificate proving that it is developed within the PRC, submit materials for registration and filing in accordance with the No. 9 Measures of MIIT, and upon registration and filing, they shall enjoy the incentives stipulated in the No. 4 Policy.

Under the Decision of Cancelling Examination and Approvals, the registration and record-keeping of software products as an item of administrative examination and approval has been cancelled.

### Regulations on Software Copyright Protection

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) promulgated on 7 September 1990, implemented on 1 June 1991 and amended on 27 October 2001 and 26 February 2010, computer software is covered by copyright protection.

Under the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 20 December 2001, implemented on 1 January 2002 and amended on 8 January 2011 and 30 January 2013, PRC nationals, legal persons or other units enjoy the copyright for software which they have developed, regardless of whether it has been published. Copyright covers the right of publication, right of authorship, right of modification, right of reproduction, right of distribution, right of rental, right of translation, etc. Software copyright arises from the date of completion of software development. The protection period of the software copyright of a natural person shall be the entire life of the natural person and 50 years after his/her death, ending on the 31st December of the fiftieth year after the death of the natural person. The protection period of the software copyright of a legal person or other units shall be 50 years, ending on the 31st December of the fiftieth year after the first publication of the software. Software which has not been published for 50 years since the date of completion of software development is not protected. For computer software copyright infringement behaviours, the infringer may be liable in civil law and be requested to cease infringement, eliminate the consequences of such infringement, apologise to the copyright owner, and compensate for any damages.

Foreigners or stateless persons having software first published within the territory of the PRC enjoy copyright in accordance with these Regulations. Software owned by foreigners or stateless persons enjoys copyright in the PRC and protection under these regulations according to the relevant agreements signed between the home country or the habitual residence of its developer and the PRC or according to the international conventions to which both countries are signing parties.

Under the Computer Software Copyright Registration Measures (Order of the National Copyright Administration of the PRC (No.1)) (《計算機軟件著作權登記辦法》 (國家版權局令第1號)) (the “No. 1 Order”) promulgated and implemented by the National Copyright Administration on 20 February 2002, the PRC encourages software registration, and provides particular protection for registered software. The National Copyright Administration is in charge of the administration of software copyright registration across the nation, and has authorised Copyright Protection Centre of China to be the agency for software registration. Applicants can apply for software copyright registration, and registration of exclusive licensing contracts and assignment contracts of software copyright.

Applicants of the registration of software copyright shall be the copyright owner of the software and a natural person, legal person or other organisation that inherits, acquires or receives the software copyright. The No. 1 Order shall be applicable where the applicant or one of the applicants is a foreigner or a stateless person.

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## REGULATORY OVERVIEW

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### **Taxation**

#### ***Business Tax***

Pursuant to the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which were promulgated on 13 December 1993 and were subsequently amended on 5 November 2008 and became effective on 1 January 2009, and its ancillary rules, all units and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the Schedule of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the Regulations.

#### ***Income Tax***

According to the EIT Law, which came into effect on 1 January 2008, the income tax rate for domestic-invested enterprises and foreign-invested enterprises is 25%.

### **Regulations on Intellectual Property**

#### ***Copyright Law***

The Copyright Law of the PRC provides that PRC nationals, legal persons, or other organizations shall enjoy copyright in their works regardless of whether such work has been published or not, which include, among others, works of literature, art, natural science, social science, engineering technology and computer software. The copyright owner enjoys various kinds of rights, including right of publication, right of authorship and right of reproduction.

The copyright enjoyed by foreigners or stateless persons in their works in accordance with the relevant agreement(s) between their home country or country of habitual residence and the PRC, or in accordance with international conventions to which both countries are signing parties, is protected under the Copyright Law of the PRC. Works of foreigners or stateless persons which are first published in the PRC also enjoy copyright under the Copyright Law of the PRC.

#### ***Patent Law***

Under the Patent Law of the PRC (《中華人民共和國專利法》), promulgated on 12 March 1984, amended on 4 September 1992, 25 August 2000 and 27 December 2008, the State Intellectual Property Office is responsible for administering patents in the PRC. The patent administration departments of provincial, autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The PRC patent system adopts a “first come, first file” principle, which means where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A patent is valid for twenty years in the case of an invention and ten years in the case of utility models and designs. A third party must obtain consent or a proper licence from the patent owner to use the patent. Otherwise, unauthorised use of a patent constitutes an infringement of the patent rights.

#### ***Trademark Law***

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) (the “**Trademark Law**”), promulgated on 23 August 1982, amended on 22 February 1993, 27 October 2001 and 30 August 2013 and implemented on 1 May 2014, the right to exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to commodities for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten

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## **REGULATORY OVERVIEW**

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years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with a registered trademark on the same commodities without the licensing of the registrant of the registered trademark, or using a trademark that is similar to a registered trademark on the same commodities, or using a trademark that is identical with or similar to the registered trademark on similar commodities without the licensing of the registrant of the registered trademark, which is likely to cause confusion, constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, once found by the relevant authority to have infringed trademark rights, be requested to cease the infringing acts, take remedial action, and pay penalties, etc.

### **INTERNATIONAL SANCTIONS LAW**

During the Track Record Period, we had sales in connection with Sanctioned Countries, including Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, in the ordinary course of business. Upon review of documents in relation to our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, our legal adviser as to International Sanctions laws has advised that our historical sales in connection to Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period do not implicate the application of the relevant sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC Nominees. For details on our business activities in the Sanctioned Countries and impact of sanctions laws, please see the section headed "Business — Sales in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela" in this prospectus.

### **LAWS AND REGULATIONS IN OTHER OVERSEAS COUNTRIES**

On the basis that (a) our Group's operation is based in Hong Kong and we have not established any subsidiary, branch or representative office or any business presence or business operations in any jurisdiction where our sales are made other than in Hong Kong and the PRC; (b) except for certain sales in the PRC conducted through Ahsay CQ, we substantially sell our backup software products through the Internet on our sales websites; (c) in particular, our Group's sales websites hosted in the United States and the overseas servers rented by our Group are for marketing purposes only. The sales processing and payment of our backup software products are conducted through the payment webpages hosted by us in Hong Kong; and (d) the transactions between our customers and us are governed by Hong Kong and PRC laws, and such transactions should not be considered as being performed within any specific country other than in Hong Kong and the PRC, to the best knowledge of our Directors, our Group is not required to comply with rules and regulations of other overseas jurisdictions in relation to our sales of backup software products.

In view of the above-mentioned and based on the advice of our Company's independent legal counsel, the Directors are of the view that, there is no basis for our Company to seek or require a local law based legal opinion in any of the states comprising the United States, or any of the states comprising the EU, in connection with our revenue generated in those jurisdictions, and in connection with the Placing.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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### HISTORY AND DEVELOPMENT

#### Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 April 2015. As part of the Reorganisation as more particularly described in the sub-section headed “Reorganisation” below in this section, our Company has become the holding company of our Group for the purpose of the Listing. As at the Latest Practicable Date, our Company had an authorised share capital of HK\$100,000,000 divided into 10,000,000,000 Shares of par value of HK\$0.01 each, of which 2 Shares had been issued and allotted to All Divine, one of the Controlling Shareholders.

#### Our business history

The history of our Group can be traced back to 1999 when Ahsay HK, formerly known as Leb Shama Co., Limited (納世家有限公司), was legally and beneficially transferred to Mr. Schubert Chong and Mr. Scherring Chong. The investments in our Group by Mr. Schubert Chong and Mr. Scherring Chong were financed by their personal savings.

We commenced our business as an online backup software developer in 1999. Since the launch of our Ahsay™ Backup Software in 2003, we have been selling self-developed Ahsay™ Backup Software to our customers through our sales website at [www.ahsay.com](http://www.ahsay.com) to primarily international customers located in the North America and Europe. In 2014, we released our self-developed new backup software product, CloudBacko Backup Software, targeting at end-users, and which is sold through our sales website at [www.cloudbacko.com](http://www.cloudbacko.com).

#### Our business milestones

Our Group’s milestones since its establishment and up to the Latest Practicable Date are set out below:

<u>Year</u>	<u>Major developments and achievements</u>
1999	We commenced our business as an online backup software developer after the acquisition of Ahsay HK by Mr. Schubert Chong and Mr. Scherring Chong
2003	We officially released our first backup software product under our brand name “Ahsay”, Ahsay™ Backup Software, with the aim of providing low-cost, automated and reliable backup solutions to the business communities, which supports on-premises/online/offsite/remote/private cloud backup
2005	Our customer support department was formed to provide technical supports to customers
2007	We released version 5.2 of Ahsay™ Backup Software, which included an introduction of AhsayACB and key features such as a full support for Exchange individual email, calendar and contacts  We became a Microsoft Partner since 2007
2008	We were awarded as Red Herring 100 (Asia) Winner
2010	We formed our quality assurance team, focusing on and performing verification of our products to ensure they meet certain level of quality before each release

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## HISTORY, DEVELOPMENT AND REORGANISATION

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<u>Year</u>	<u>Major developments and achievements</u>
2011	We released version 6 of Ahsay™ Backup Software, which supports 13 different types of servers including VMware and Hyper-V  We received Hong Kong ICT Awards 2011 for Best Business Product Certificate of Merit  We joined VMWare Technology Alliance Partner Programme
2012	We became a Dell™ Preferred Partner
2013	We established a wholly-owned subsidiary in Chongqing, the PRC
2014	We officially released our first two CloudBacko Backup Software products under our brand name “CloudBacko”, namely CloudBacko Pro and CloudBacko Lite, which allow end-users to backup their data to local storage destinations and/or public cloud storage destinations
2015	We became an HP Authorised Channel Partner

### **Corporate development**

As at the Latest Practicable Date, our Group comprised our Company, Alpha Heritage, Ahsay HK, Ahsay CQ, Apex Ace, CloudBacko BVI and CloudBacko HK. The following sets forth the shareholding and corporate structure, place of incorporation/establishment and principal business activities of each member of our Group as at the Latest Practicable Date.

#### ***Alpha Heritage (BVI)***

Alpha Heritage was incorporated in the BVI with limited liability on 10 March 2015 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. It is an investment holding company.

On 25 March 2015, All Divine subscribed for one share of Alpha Heritage, representing 100% of its issued share capital, at a subscription price of US\$1.00. The share was fully paid up.

Immediately prior to the Reorganisation, the entire issued share capital of Alpha Heritage was held by All Divine.

#### ***Ahsay HK (Hong Kong)***

On 29 November 1994, Ahsay HK was incorporated in Hong Kong with limited liability under the name of Nova Botanical (H.K.) Limited, which subsequently changed its name to Leb Shama Co., Limited (納世家有限公司) and Ahsay Systems Corporation Limited (亞勢系統有限公司) on 16 August 1999 and 3 January 2008, respectively. It principally engages in the provision of backup software products and services.

At the time of its incorporation, Ahsay HK had an authorised share capital of HK\$100,000.00 divided into 100,000 shares of HK\$1.00 each. Each of Alfred Magnus Hendroff and Michael Ngee Tiong Tan (陳義忠), both being Independent Third Parties, subscribed for one share of Ahsay HK, each representing 50% of the issued share capital of Ahsay HK.

On 9 March 1995, Alfred Magnus Hendroff and Michael Ngee Tiong Tan (陳義忠) transferred their respective shareholding in Ahsay HK to Lee Yiu Keung and Tong Lai Ying, respectively, at par.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 27 September 1999, Tong Lai Ying and Lee Yiu Keung transferred their respective shareholding in Ahsay HK to Mr. Scherring Chong and Mr. Schubert Chong, respectively at par.

On 23 March 2002, pursuant to a resolution passed by the shareholders of Ahsay HK, it was resolved that 4,000 shares, 2,999 shares and 2,999 shares of Ahsay HK be allotted and issued to Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively, at par. After the allotment, Ahsay HK was owned as to 40%, 30% and 30% by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively.

On 14 December 2011, pursuant to a resolution passed by the shareholders of Ahsay HK, the authorised share capital of Ahsay HK was increased from HK\$100,000.00 divided into 100,000 shares of HK\$1.00 each to HK\$1,000,000.00 divided into 1,000,000 shares of HK\$1.00 each. On the same day, 396,000 shares, 297,000 shares and 297,000 shares of Ahsay HK were allotted and issued to Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively, at par. After the above allotment and immediately prior to the Reorganisation, Ahsay HK remained to be owned as to 40%, 30% and 30% by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively.

On 22 June 2012, pursuant to a resolution passed by the shareholders of Ahsay HK, the authorised share capital of Ahsay HK was increased from HK\$1,000,000 divided into 1,000,000 shares of HK\$1.00 each to HK\$1,000,000,000 divided into 1,000,000,000 shares of HK\$1.00 each by the addition of 999,000,000 shares.

### ***Ahsay CQ (PRC)***

Ahsay CQ was established in the PRC as a wholly foreign-owned enterprise on 25 February 2013 with a registered capital of RMB100,000.00. The paid up capital of Ahsay CQ amounted to RMB100,000.00, all of which was contributed by Ahsay HK. The relevant business licence was granted to Ahsay CQ on the date of its establishment and the scope of business of Ahsay CQ includes backup software development. During the Track Record Period and up to the Latest Practicable Date, Ahsay CQ did not employ any employee in the PRC. During the Track Record Period, some of our customers in the PRC preferred to procure our Ahsay™ Backup Software from our subsidiary in the PRC. At the request of such customers, our Ahsay™ Backup Software was sold to them by our Group through Ahsay CQ. Ahsay CQ is involved in the issue of the relevant invoices and receipts to such customers. Mr. Schubert Chong, our executive Director, the chief executive officer and one of the co-founders of our Group, has been the executive director, the general manager and the legal representative of Ahsay CQ since its establishment. Our Directors currently expect that the operation of Ahsay CQ will remain unchanged in the near future.

As at the Latest Practicable Date, the entire equity interest in Ahsay CQ was held by Ahsay HK.

### ***Apex Ace (BVI)***

Apex Ace was incorporated in the BVI with limited liability on 11 March 2015 and is authorised to issue a maximum of 50,000 shares of a single class each with a par value of US\$1.00. It is an investment holding company.

On 25 March 2015, Alpha Heritage subscribed for one share of Apex Ace, representing 100% of its issued share capital, at a subscription price of US\$1.00. The share was fully paid up.

Immediately prior to the Reorganisation, the entire issued share capital of Apex Ace was held by Alpha Heritage.

### ***CloudBacko BVI (BVI)***

CloudBacko BVI was incorporated in the BVI with limited liability on 2 January 2014 and is authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. It principally engages in the provision of backup software products and services.



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## HISTORY, DEVELOPMENT AND REORGANISATION

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On 2 January 2014, Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong subscribed for 4 shares, 3 shares and 3 shares, respectively, at par. The shares were fully paid up.

Immediately prior to the Reorganisation, the entire issued share capital of CloudBacko BVI was held by Mrs. Chong as to 4 shares, Mr. Schubert Chong as to 3 shares and Mr. Scherring Chong as to 3 shares.

### ***CloudBacko HK (Hong Kong)***

CloudBacko HK was incorporated in Hong Kong with limited liability on 7 January 2014 with a share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each. It principally engages in the provision of backup software products and services.

On 7 January 2014, 4,000 shares, 3,000 shares and 3,000 shares were allotted and issued to Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively, at par. The shares were fully paid up.

Immediately prior to the Reorganisation, the entire issued share capital of CloudBacko HK was held by Mrs. Chong as to 4,000 shares, Mr. Schubert Chong as to 3,000 shares and Mr. Scherring Chong as to 3,000 shares.

On 31 March 2015, 76,000 shares, 57,000 shares and 57,000 shares of CloudBacko HK were allotted and issued, credited as fully paid, to Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively.

### **Discontinued Operation**

#### ***Disposal of Million Victory (Hong Kong)***

Million Victory is a company incorporated in Hong Kong with limited liability on 20 November 2012 with a share capital of HK\$10,000.00 divided into 10,000 shares of HK\$1.00 each. Million Victory principally engages in property investment.

On 20 November 2012, 10,000 shares were allotted and issued to Ahsay HK, at par. The shares were fully paid up.

As part of the Reorganisation, Ahsay HK disposed of the entire issued share capital of Million Victory, so that we can focus on our principal business of provision of backup software products and services. For details, please refer to the sub-section headed “Reorganisation” below in this section.

## **REORGANISATION**

### **1. General**

In contemplation of the Listing, we underwent a reorganisation to implement a structure whereby our Company became the holding company of our Group.

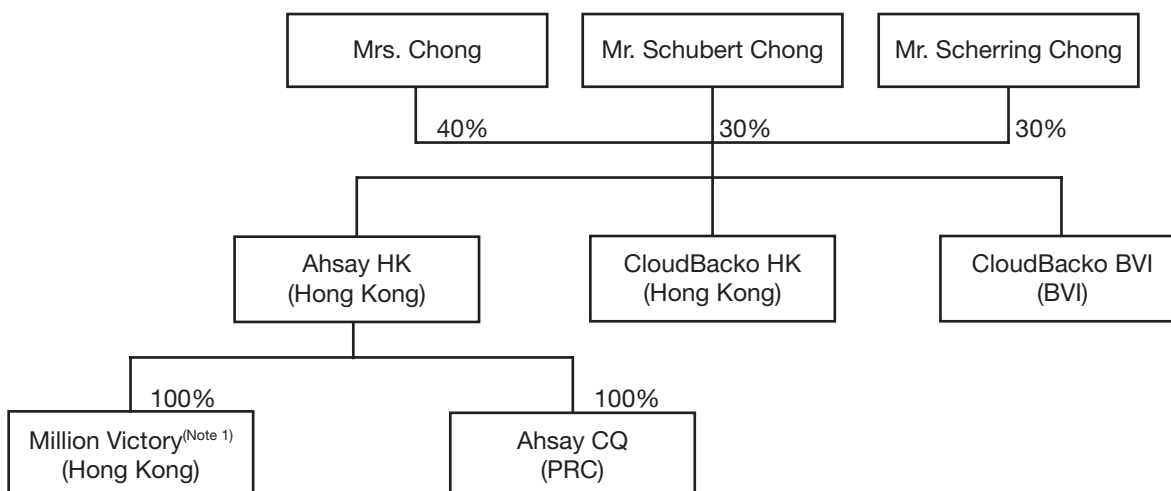


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## HISTORY, DEVELOPMENT AND REORGANISATION

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The following diagram illustrates the shareholding and corporate structure of our Group immediately prior to the Reorganisation:



Note:

(1) Million Victory has been involved in activities unrelated to that of our group and it had been excluded as part of the Reorganisation.

Our Directors confirm that all necessary approvals from the relevant authorities have been obtained and that the Reorganisation complies with the relevant laws and regulations. The steps of the Reorganisation are set out below:

### 2. Incorporation of our Company

On 10 April 2015, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary Shares of par value of HK\$0.01 each, of which 1 Share was allotted and issued to our Company's initial subscriber at par which was subsequently transferred to All Divine on the same day. As at the Latest Practicable Date, the ultimate beneficial owners of our Company were Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30%, and 30%, respectively.

### 3. Incorporation of Able Future, All Divine, Alpha Heritage and Apex Ace

- All Divine and Alpha Heritage were incorporated in the BVI on 10 March 2015. Able Future and Apex Ace were incorporated in the BVI on 11 March 2015. On 25 March 2015, 4, 3 and 3 shares of Able Future were allotted and issued, credited as fully paid, to Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively.
- On 25 March 2015, Able Future subscribed for one share of All Divine at the subscription price of US\$1.00. On the same date, 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. Transfer of CloudBacko BVI and disposal of Million Victory

- On 2 April 2015, Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, all being the Controlling Shareholders, transferred 4, 3, 3 shares, together being the entire issued capital, of CloudBacko BVI to Apex Ace at the consideration of US\$21,270.86, which was determined based on the net asset value of CloudBacko BVI as of 31 March 2015 and was settled on 10 June 2015.

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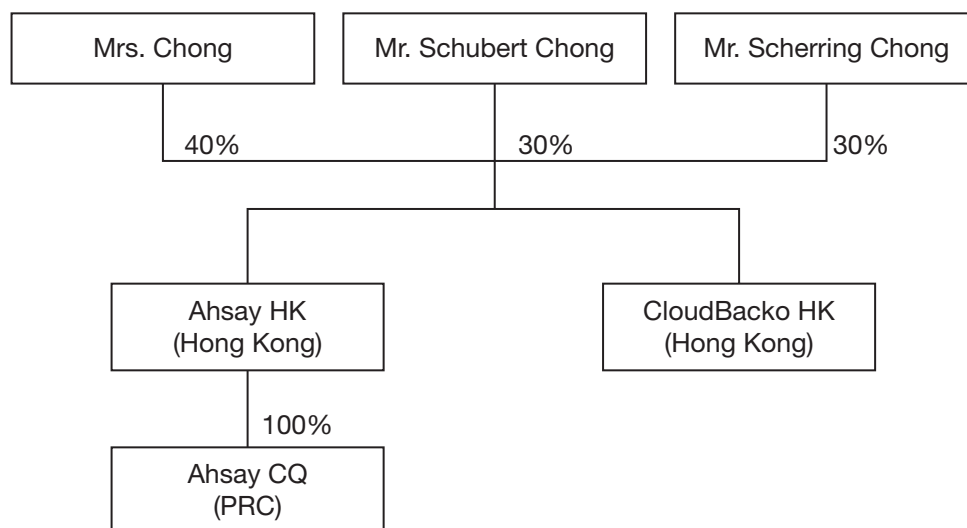
## HISTORY, DEVELOPMENT AND REORGANISATION

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- On 9 April 2015, Ahsay HK transferred 10,000 shares, being the entire issued capital of Million Victory to Able Future at the consideration of HK\$2,663,690.70. The consideration was determined with reference to the net asset value of Million Victory as of 31 March 2015 and was settled on 28 May 2015. The business of Million Victory was profitable as at the date of disposal. Million Victory was excluded from the Group as, since its incorporation, it has only been used for holding investment properties which is not relevant to the business of the Group.

All of the above transfers were properly and legally completed and settled.

The following diagram illustrates the shareholding and corporate structure of our Group after the above Reorganisation steps:



### 5. Transfer of CloudBacko HK and Ahsay HK

- On 27 April 2015, Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, all being the Controlling Shareholders, transferred 80,000, 60,000 and 60,000 shares, together being the entire issued capital, of CloudBacko HK to Apex Ace at the total consideration of HK\$39,164.82, which was determined based on the net asset value of CloudBacko HK as of 31 March 2015 and was settled on 10 June 2015.
- On 5 May 2015, Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, all being the Controlling Shareholders, transferred 400,000, 300,000 and 300,000 shares, together being the entire issued capital, of Ahsay HK to Alpha Heritage in exchange for allotment and issue of one share of Alpha Heritage, credited as fully paid up, to All Divine.

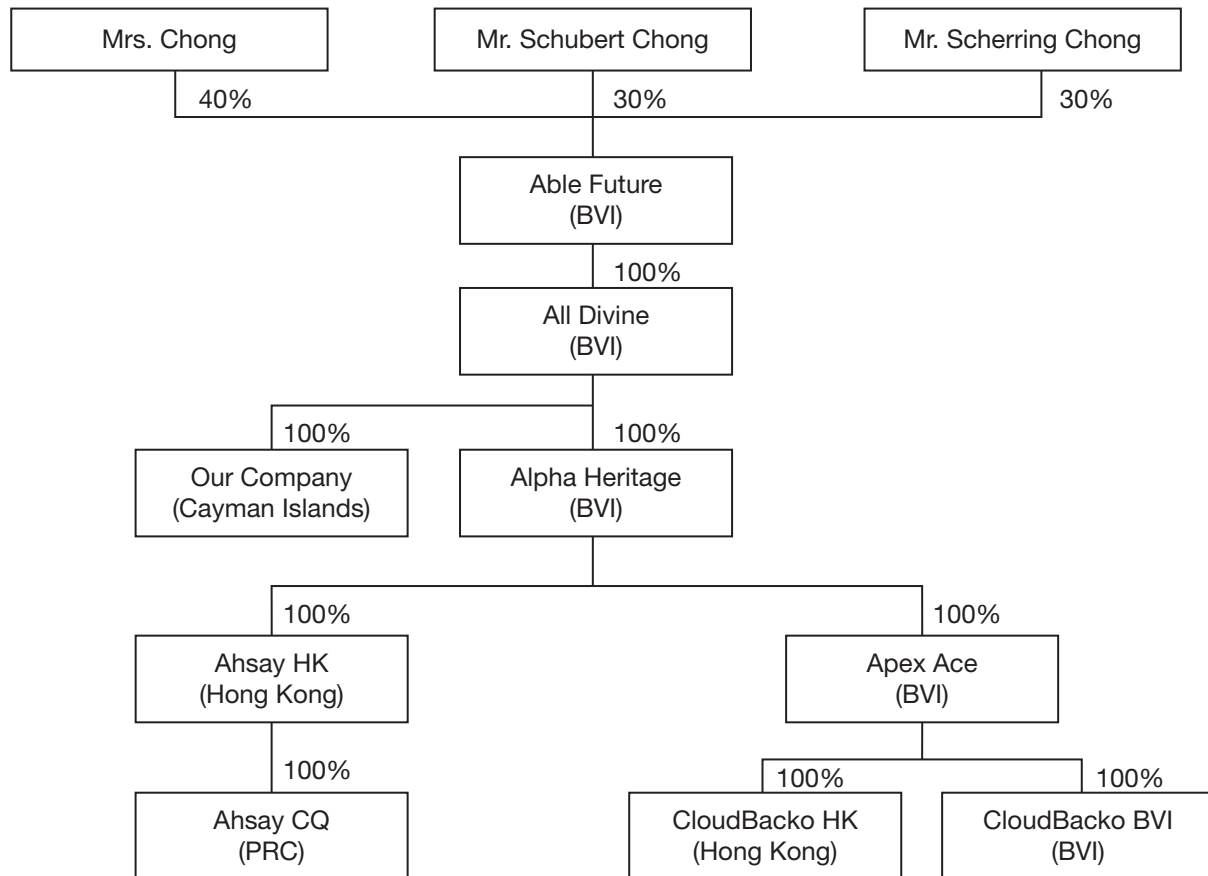
All of the above transfers were properly and legally completed and settled.

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## HISTORY, DEVELOPMENT AND REORGANISATION

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The following diagram illustrates the shareholding and corporate structure of our Group after the above Reorganisation steps:



### 6. Share Swap of Alpha Heritage and Apex Ace

- On 1 June 2015, All Divine transferred 2 shares, being the entire issued share capital of Alpha Heritage to our Company in exchange for allotment and issue of 1 Share to All Divine.
- On 8 June 2015, Alpha Heritage transferred 1 share, being the entire issued share capital of Apex Ace held by it by way of distribution in specie to our Company.

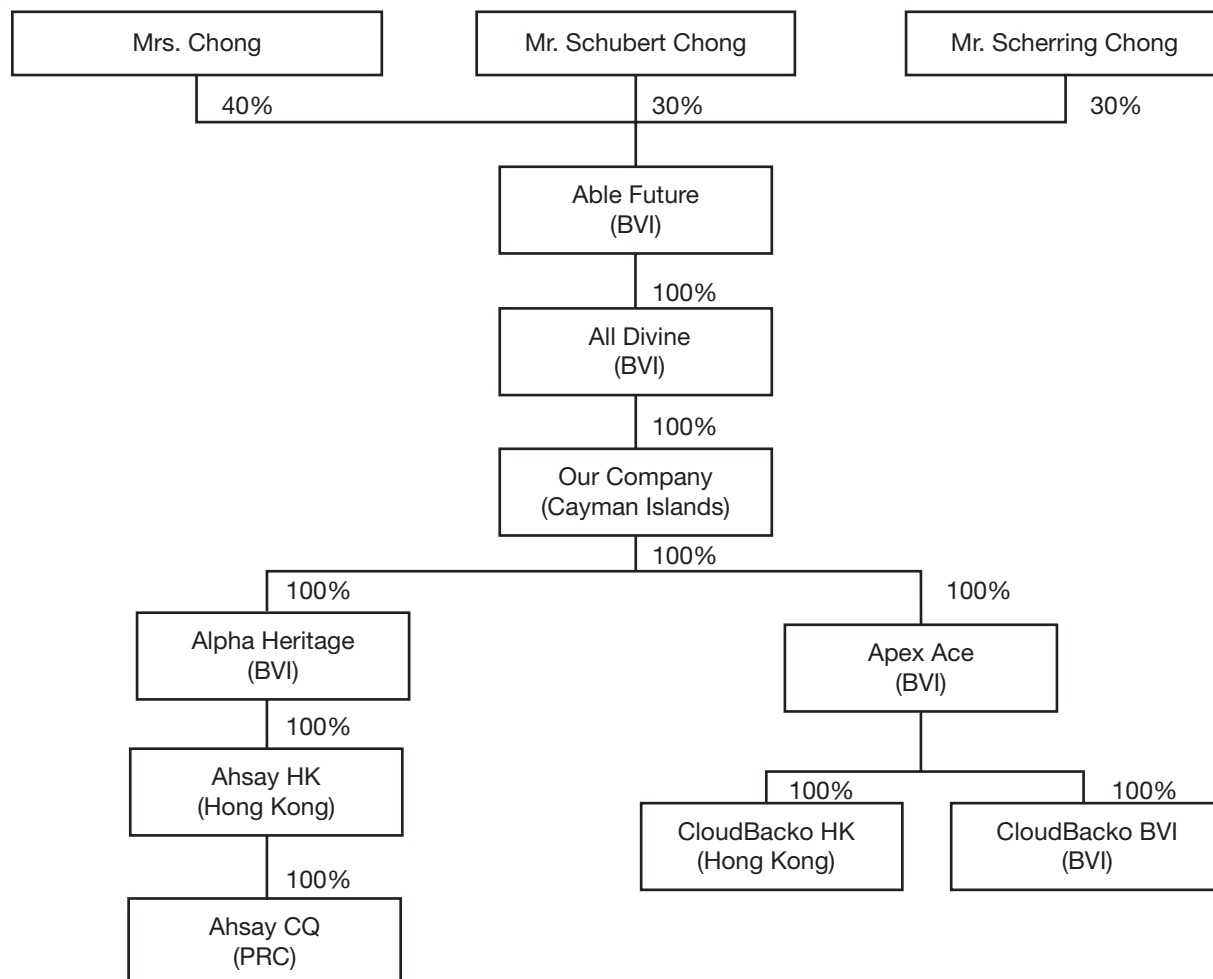
All of the above transfers were properly and legally completed and settled.

## HISTORY, DEVELOPMENT AND REORGANISATION

### 7. Capitalisation Issue

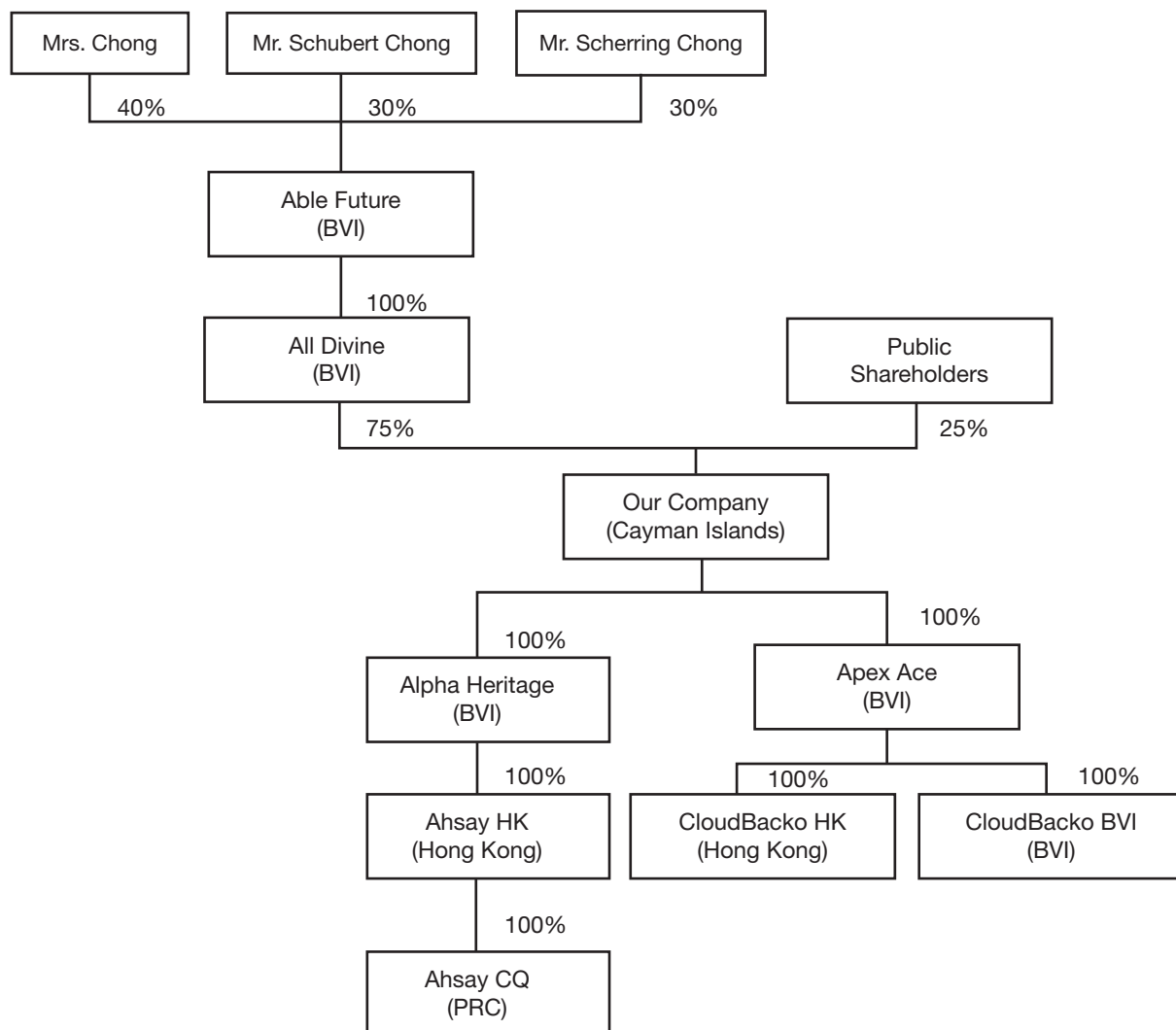
Conditional upon the crediting of our Company's share premium account as a result of the allotment and issue of the Placing Shares pursuant to the Placing, our Directors are authorised to capitalise an amount of HK\$14,999,999.98 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 1,499,999,998 Shares for allotment and issue to All Divine.

The following diagram illustrates the shareholding and corporate structure of our Group after the above Reorganisation steps and immediately before the completion of the Placing and the Capitalisation Issue:



## HISTORY, DEVELOPMENT AND REORGANISATION

The following diagram illustrates the shareholding and corporate structure of our Group immediately following the completion of the Placing and the Capitalisation Issue assuming the no option which may be granted under the Share Option Scheme is exercised:



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## BUSINESS

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### OVERVIEW

We are an online backup software developer based in Hong Kong, with a focus on providing self-developed backup software products and services to our customers which include IT consultants, web hosting companies, telecommunications companies and MSPs located mainly in Europe and the North America. According to the Frost & Sullivan Report, we are accredited as a market leader in online backup software solutions targeted at SMEs worldwide, ranking first among all the backup software companies in Hong Kong catering to SMEs globally in terms of revenue for the year ended 31 December 2014. During the Track Record Period, substantially all of our backup software products and services were sold to or ordered by our customers through the Internet on our sales websites. Upon payment by our customers online at our sales websites, our customers can download and activate our backup software products from our sales websites for use immediately.

During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. As our Ahsay™ Backup Software is rebrandable, our customers may provide our Ahsay™ Backup Software to their respective customers under our brandname “Ahsay” or under their own brandnames. Since the launch of our Ahsay™ Backup Software in 2003, we have accumulated solid experience in developing backup software products and services. In particular, we design our Ahsay™ Backup Software and related services to assist our customers in managing their IT or backup-related business in a user-friendly and orderly manner so as to improve their efficiency. In 2014, we released our new backup software product, CloudBacko Backup Software, which targets at end-users.

Cloud is a fast-evolving technology in recent years, and may be regarded as the modern version of “online” or the “Internet”. Our Ahsay™ Backup Software supports different modes of backup, including on-premises backup through LAN/WAN and online/offsite/remote/cloud backup through the Internet. In particular, our Ahsay™ Backup Software has been supporting private cloud storage since its introduction in 2003. Data backed up using our Ahsay™ Backup Software can be stored at different storage destinations determined by our customers and the end-users, such as on-premises servers and private cloud storage, for backup purposes. We provide software and related services to backup data and generally do not provide storage services for data backup, except for certain customers in Hong Kong. Our revenue from storage services for data backup represents approximately 1.2%, 0.9% and 0.9% of our total revenue during the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. Our Directors consider such revenue insignificant to our total revenue and storage services for data backup was not our focus during the Track Record Period and would not be our focus in the future.

During the Track Record Period, we had over 4,000 customers from over 75 countries worldwide. Our backup software products are developed in Hong Kong and are equipped with multi-lingual, multi-platform and multi-application built-in features. Our Ahsay™ Backup Software supports over 30 languages and dialects, such as Traditional Chinese, Simplified Chinese, English, Dutch, French, Spanish, Portuguese, Japanese and Korean, and can be used on various platforms and different software applications.

Our revenue is principally derived from (i) software licence sales; (ii) software licence leasing; (iii) software upgrades and maintenance services; (iv) other services; and (v) sale of hardware devices. During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services. Our Directors confirmed that there had not been any change in the business focus of our Group during the Track Record Period.

## BUSINESS

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our total revenue amounted to approximately HK\$58.1 million, HK\$54.0 million and HK\$14.2 million, respectively. The following table sets forth a breakdown of our revenue streams and the respective percentages of total revenue during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
<b>Software licence sales</b> .....	14,834	25.6	9,100	16.9	2,742	19.3
<b>Software licence leasing</b> .....	21,146	36.4	21,479	39.8	5,439	38.2
<b>Software upgrades and maintenance services</b> .....	20,000	34.4	21,945	40.7	5,710	40.1
<b>Other services</b> .....	1,858	3.2	1,277	2.4	316	2.2
<b>Sale of hardware devices</b> .....	226	0.4	172	0.2	18	0.2
<b>Total</b> .....	<u>58,064</u>	<u>100.0</u>	<u>53,973</u>	<u>100.0</u>	<u>14,225</u>	<u>100.0</u>

### OUR REVENUE MODEL

Our revenue model of each of our Group's business streams is summarised below:

(i) Software licence sales and leasing

(a) Software licence sales: Our customers who intend to own our backup software products perpetually may purchase our backup software products at a one-off purchase price through the Internet on our sales websites. We generally charge such customers on a fixed unit price basis, and the total purchase price is dependent on the number of backup software products to be purchased by our customers and the unit price for the relevant backup software products. Our revenue is derived from the fees paid by our customers for purchasing our backup software products.

(b) Software licence leasing: Our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software through the Internet on our sales website at [www.ahsay.com](http://www.ahsay.com). We generally charge our customers on a monthly basis, and the total leasing fee for each month is dependent on the number of Ahsay™ Backup Software to be leased by our customers and the monthly rate for the relevant Ahsay™ Backup Software. Our customers, such as IT consultants, web hosting companies, telecommunications companies and MSPs, provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software. Where our Group leases our Ahsay™ Backup Software to such customers, the monthly license fees are settled directly by such customers instead of their respective customers. Our revenue is derived from the monthly usage consumed by our customers for leasing our Ahsay™ Backup Software.

(ii) Software upgrades and maintenance services

Our customers who purchase our backup software products are entitled to our complimentary software upgrades and maintenance services (i) within the first year from the date of activation of each Ahsay™ Backup Software licence; and (ii) at any time after activation of each CloudBacko Backup Software licence. Upon expiry of the one-year complimentary maintenance period for our Ahsay™ Backup Software, our customers may continue to enjoy our software upgrades and maintenance services subject to an annual fee by making orders through the Internet on our sales website at [www.ahsay.com](http://www.ahsay.com). The annual fee is calculated based on the number of Ahsay™ Backup Software to be covered by our



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## BUSINESS

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software upgrades and maintenance services and the unit rate for upgrades and maintenance of the relevant Ahsay™ Backup Software. Our revenue is derived from the fees paid by our customers for software upgrades and maintenance services for our Ahsay™ Backup Software.

(iii) Other services

We offer services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. We generally charge our customers on a fixed unit price basis for such services. Our customers may order such services through the Internet on our sales websites. The pricing for such services depends on factors such as the scope and complexity of the services, expected number of required man-hours and the prevailing market rate. Our revenue is derived from the fees paid by our customers for such services.

(iv) Sale of hardware devices

We sell hardware devices together with our Ahsay™ Backup Software as a package to our Hong Kong customers. Our revenue from the sale of hardware devices is derived from our Hong Kong customers only. Our sale of hardware devices is not conducted through the Internet on our sales websites, and our Hong Kong customers for our sale of hardware devices are approached by our sales representatives. Our revenue is derived from the payments from our Hong Kong customers for the purchase of hardware devices together with our Ahsay™ Backup Software from us.

### OUR COMPETITIVE STRENGTHS

We believe our success is principally attributed to the following competitive strengths:

#### **Strong and innovative software development capabilities**

Our backup software products are developed by our in-house R&D team and we do not rely on any third party to develop our backup software products or to license any software to us for our business. We are the owner of our proprietary multi-lingual, multi-platform and multi-application backup software products. Our Directors believe that, in the event of changing customer preferences or advancement of backup software technologies, we are well-positioned to adapt and modify our backup software products quickly to satisfy the needs of our customers and the end-users. We would be able to respond to the needs of our customers and the end-users timely by modifying our backup software products and developing new features for our backup software products in-house without negotiating with any external software developer or any owner or licensor of software.

Currently, our R&D team comprises 24 staff members and is headed by Mr. Scherring Chong, our co-founder and our executive Director, who has over 15 years of experience in the backup software industry. Given our Group's extensive experience in the backup software industry and proven track record in delivering backup software products and services to customers across different continents, we have been able to remain competitive in the changing market and continue our success and business growth.

#### **All-in-one tri-multi built-in software design catering for the needs of our customers and the end-users**

The design of our backup software products has always been aiming at Internet sales and marketing such that the sale and leasing of our backup software products would have no limitation on time and geographic locations and our cost of distribution would be minimal. Our Directors consider that the multi-lingual, multi-platform and multi-application built-in features of our Ahsay™ Backup

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## BUSINESS

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Software enable the rapid worldwide market penetration of our Ahsay™ Backup Software. Currently, our Ahsay™ Backup Software supports over 30 languages and dialects for our customers to choose from at no extra cost. Set out below are the languages and dialects which our Ahsay™ Backup Software supports:

- Bulgarian
- Catalan
- Simplified Chinese
- Traditional Chinese
- Czech
- Danish
- Dutch
- German
- Greek Modern
- English
- Euskara
- Finnish
- French
- Hebrew
- Hungarian
- Japanese
- Icelandic
- Italian
- Korean
- Lithuanian
- Norwegian
- Polish
- Brazilian Portuguese
- Portuguese
- Romanian
- Russian
- Slovenian
- Spanish
- Swedish
- Thai (Western digits)
- Thai (Thai digits)
- Turkish
- Ukrainian

Our CloudBacko Backup Software currently supports English, Traditional Chinese and Simplified Chinese.

Our Ahsay™ Backup Software works not only on Windows platform, but also on Mac platform as well as Linux and Unix platforms. All editions of our CloudBacko Backup Software can be run on Windows and Mac platforms. CloudBacko Home and CloudBacko Pro can also be run on Linux platform.

We believe that the multi-application built-in is one of the most distinctive competitive advantages that attracts and retains our customers. Our Ahsay™ Backup Software can work on different business software applications and there is no limitation for every licence to be reused across different software applications as long as each licence is installed on a single physical machine. This provides high flexibility to our customers when using our Ahsay™ Backup Software to serve their respective customers because their owned licence can always be re-deployed to serve their next customers.

We believe that our backup software products are able to provide our customers and the end-users with data security, flexibility and efficiency, and most importantly, are user-friendly to cater the needs of our customers and the end-users at all levels.

### **Well-established business relationships with our customers and a proven track record**

We have established years of working relationship with our customers which we regard as our business partners. As at the Latest Practicable Date, we had established business relationships with our five largest customers during the Track Record Period ranging from 3 to 9 years, except for one of our five largest customers during the three months ended 31 March 2015 which commenced business relationship with us in 2015. Such relationships allow us to better understand our customers' business operations and needs, which in turn would help us improve our products and services, in order to retain and attract more customers.

Our Directors believe that our backup software products and services would be able to retain and attract customers mainly because (i) we offer free software upgrades and maintenance services to (a) our customers who purchase our Ahsay™ Backup Software, within the first year from the date of activation of each Ahsay™ Backup Software licence; (b) our customers who lease our Ahsay™ Backup Software, throughout the leasing period; and (c) our customers who purchase our CloudBacko Backup Software, at any time after activation of each CloudBacko Backup Software licence; (ii) we offer the Rebranding Option to allow our customers to rebrand our Ahsay™ Backup Software to serve their respective customers; and (iii) we have a customer loyalty programme which offers special

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## BUSINESS

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discounts to our customers who are qualified as our “Loyalty Programme Partners”. For details, please refer to “Our Products and Services” and “Sales, Distribution and Marketing” below in this section.

### **Worldwide customer base**

We have a globally diversified customer base. Our multi-language Ahsay™ Backup Software supports over 30 languages and dialects. During the Track Record Period, we had over 4,000 customers from over 75 countries worldwide, which are mainly located in Europe and the North America.

Our Directors believe that our diversified customer base and our extensive experience in developing backup software for use in different countries allow us to capture growth opportunities and to reduce our reliance on any single market. Our ability to expand our customer base will depend on, among other things, our efforts on sales and marketing and software development. Our Directors believe that with our further expansion of customer base to cloud end-users and our planned expansion of our R&D team, we are well positioned to benefit from the increasing demand from SMEs for backup software products worldwide. We believe that our customer base will continue to expand and contribute to the growth of our business.

### **Experienced and visionary senior management team**

Our senior management team possess extensive experience in the backup software industry or other relevant industries. Our co-founders and executive Directors, Mr. Schubert Chong and Mr. Scherring Chong, who have over 10 and 15 years of solid working experience in the backup software industry, respectively, have played a key role in our Group’s success. Mr. Lau Ka Yan Andy, the sales director of our Group and a member of our senior management, has joined our Group since 2011 and has more than 14 years of working experience in IT and telecommunications companies prior to joining our Group. In addition, Mr. Bosco Chong, the financial director and company secretary of our Company who is also a member of the senior management of our Group, has more than 8 years of working experience in the accounting industry.

We believe the sound management skills, industry knowledge and technical know-how of our senior management team enable us to capture market opportunities, adapt to the changing market, and formulate and execute business strategies effectively. Please refer to the section headed “Directors, Senior Management and Employees” in this prospectus for the biographical details of our management team.

## **OUR BUSINESS STRATEGIES**

To drive backup business worldwide and become a leading developer and provider of backup software products and services for all platforms, applications and all mankind speaking different languages, we intend to implement the following business strategies:

### **Strengthen our software development capabilities**

We plan to increase our market share in the backup software sector by focusing on improving our existing products and services and developing new products, in particular, software products which support both private and public cloud technology. According to the Frost & Sullivan Report, we are accredited as a market leader in online backup software solutions targeted at SMEs worldwide, and the market size of the global backup software market will grow steadily in the next 5 years. The demand from SMEs for backup software products is also expected to increase steadily in the next 5 years. We believe that our proven track record and solid relationships with our customers position us well for our business development for the coming years.

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## BUSINESS

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We believe that it is essential for our Group to continuously improve the technological aspect of our existing products and formulate new product and service ideas to enable our Group to maintain our position as one of the market leaders in online backup software solutions targeted at SMEs worldwide and make advancements in the future. Currently, all of our R&D team members are recruited and based in Hong Kong. We intend to enlarge our R&D team to enhance our software development capability by recruiting experienced software development professionals with diplomas or higher education degrees in computer science or IT related disciplines, who possess 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). As shortening development time for new software features is one of the most important factors for us to succeed, our Directors consider that by hiring more software development professionals, we will be able to deliver new software features ahead of our competitors.

### **Broaden our customer base**

Our Directors consider that the enlargement of our R&D team will provide us with innovative ideas to develop backup software and enhance the quality of our established services. In particular, the enlarged R&D team will focus on exploring and developing new software products, including, but not limited to developing backup software products with both private and public cloud storage features and other backup performance related enhancement new features, in order to broaden our customer base.

Our Directors plan to expand our sales and marketing team to proactively manage our current customer relations, expand our customer base and enhance customer loyalty.

### **Pursue selective acquisition and partnership**

We intend to enhance our presence in existing markets through seeking opportunities in acquisitions or cooperation with potential business partners, including formation of joint venture with strategic partners or strategic investment. Our Directors are of the view that the backup software industry in which we operate is highly fragmented and therefore offers many opportunities to expand our business through various forms of cooperation with our business partners.

We plan to selectively acquire market players, such as companies with strong software R&D capabilities or potential in servers, PC's software applications or mobile devices applications, whose businesses, products, services and growth potential are complementary to ours, or companies which will have potential growth upon being acquired by us. As at the Latest Practicable Date, we had not identified any potential acquisition target or initiated negotiations for any acquisition or joint venture.

## **FUTURE PLANS**

Please refer to the section headed "Business Objectives and Future Plans – Implementation Plans" in this prospectus for a detailed description of our future plans.

## **OUR PRODUCTS AND SERVICES**

Our business principally involves the development and provision of backup software products and services to our international customers, and our revenue is generated from (i) software licence sales; (ii) software licence leasing; (iii) software upgrades and maintenance services; (iv) other services; and (v) sale of hardware devices.

During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services and less than 3.1% of our revenue from other services and sale of hardware devices. In particular, during the Track Record

## BUSINESS

Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from software licence sales and leasing and software upgrades and maintenance services in relation to our Ahsay™ Backup Software amounted to approximately HK\$56.0 million, HK\$52.5 million and HK\$13.9 million, representing approximately 96.4%, 97.3% and 97.7% of our total revenue, respectively. We expect that Ahsay™ Backup Software will continue to generate the majority of our revenue in the near future.

On average, our customers maintain business relationships with us for around 4.7 years. For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, revenue generated from recurring customers represented approximately 87.8%, 88.7% and 90.0% of our revenue generated from software licence sales and leasing, respectively. The following table sets forth a breakdown of our revenue generated from recurring customers and new customers and the number of recurring customers and new customers during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March	
	2013		2014		2015	
	HK\$'000	Number of customers (Note 1)	HK\$'000	Number of customers (Note 1)	HK\$'000	Number of customers (Note 1)
<b>Software licence sales</b>						
Recurring customers (Note 2) . . . . .	10,739	847	6,122	727	1,931	292
New customers during the relevant year/period . . . . .	4,095	317	2,978	461	811	177
	<u>14,834</u>	<u>1,164</u>	<u>9,100</u>	<u>1,188</u>	<u>2,742</u>	<u>469</u>
<b>Software licence leasing (For Ahsay™ Backup Software only)</b>						
Recurring customers (Notes 2 and 3) . . . . .	20,836	799	20,993	773	5,434	761
New customers during the relevant year/period . . . . .	310	49	486	68	5	10
	<u>21,146</u>	<u>848</u>	<u>21,479</u>	<u>841</u>	<u>5,439</u>	<u>771</u>

Notes:

- (1) Some of these customers may also have contributed to other revenue stream(s), namely software upgrades and maintenance services, other services and sales of hardware devices.
- (2) Recurring customers of a period are customers which had purchased or leased our backup software products from us preceding and during the period in concern.
- (3) As at 31 March 2015, our customers who had leased our Ahsay™ Backup Software from us, on average, had been maintaining business relationships with us for around 5.0 years.

According to Frost & Sullivan, data backup is of paramount importance to all entities, in particular those with businesses. Data backup has been done traditionally by keeping physical originals and copies of originals and electronically by saving electronic copies in electronic storage devices such as CD-ROMs and external hard drives. Our Directors consider that backup software products, such as our Ahsay™ Backup Software, have become a necessity for the business community. According to Frost & Sullivan, there has been an explosive growth in the amount of data, and data has become a new form of essential production factors, which is playing an increasingly important role in various business activities. Further, due to higher replacement cost of users compared with the cost of product upgrading, backup software products, such as our Ahsay™ Backup Software, generally enjoy strong user-stickiness which is best illustrated by our recurring customers who had purchased and leased software licences and obtained software upgrades and maintenance services from us during

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## BUSINESS

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the Track Record Period, thereby contributed over 88% of our total revenue generated in the same period. In addition, our Ahsay™ Backup Software has been launched since 2003, during the past 12 years we continue to upgrade and add-on new features to our Ahsay™ Backup Software, accordingly our revenue and net profit sustained steady growth along the years with proven track record results. As such, our Directors are of the view that our business is sustainable, notwithstanding our reliance on our Ahsay™ Backup Software.

### Software licence sales and leasing

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from software licence sales and leasing amounted to approximately HK\$36.0 million, HK\$30.6 million and HK\$8.2 million, representing approximately 62.0%, 56.7% and 57.5% of our revenue, respectively.

Our backup software products are developed by our in-house R&D team in Hong Kong and we do not rely on any third party to develop our backup software products or to license any software to us for our business. We are able to respond to the needs of our customers and the end-users timely by modifying our backup software products and developing new features for our backup software products in-house without negotiating with any third party.

Our Ahsay™ Backup Software is equipped with multi-lingual, multi-platform and multi-application built-in features as described below:

*Multi-lingual:* Currently, our Ahsay™ Backup Software supports over 30 languages and dialects, such as Traditional Chinese, Simplified Chinese, English, Dutch, French, Spanish, Portuguese, Japanese and Korean, for our customers to choose from at no extra cost.

*Multi-platform:* Our Ahsay™ Backup Software works on various platforms including Windows platform, Mac platform, and Linux and Unix platforms.

*Multi-application:* Our Ahsay™ Backup Software can work on different business software applications and there is no limitation for every licence to be reused across different software applications as long as each licence is installed on a single physical machine. This provides high flexibility to our customers when using our Ahsay™ Backup Software to serve their respective customers because their owned licence can always be re-deployed to serve their respective customers with different software applications or different operating platforms if there is any change in the mix of or requests of existing end-users.

Our self-developed Ahsay™ Backup Software mainly consists of:

- core software components including AhsayOBM, AhsayACB, AhsayOBS and AhsayRPS;
- other software components including AhsayUBS, AhsayRDR and AhsayPRD; and
- add-on backup software modules for AhsayOBM, such as Ahsay™ Individual Mailbox Backup Module, to backup different types of servers.

Our Ahsay™ Backup Software comes with comprehensive features that can fulfil the on-premises backup, online backup, offsite backup and cloud backup needs of SMEs at an affordable price. During the Track Record Period, to compliment with the selling and leasing of AhsayOBM and AhsayACB, we offered AhsayOBS, AhsayRPS and AhsayPRD to our customers at no additional cost. During the Track Record Period, AhsayOBM, AhsayACB and Ahsay™ Individual Mailbox Backup Module in aggregate accounted for approximately 90.0% of our revenue from software licence sales and leasing.

All of the software components and add-on backup software modules of our Ahsay™ Backup Software can be leased or purchased by our customers separately, except that AhsayOBS,



## BUSINESS

AhsayRPS and AhsayPRD are offered to our customers at no additional cost. While AhsayOBS and AhsayOBM form a basic and functional Ahsay™ Backup Software to backup data saved in a server at client side (i.e. end-user's side), AhsayOBS and AhsayACB, form a basic and functional Ahsay™ Backup Software to backup data saved in a desktop or laptop computer at client side (i.e. end-user's side). Other software components are optional and serve to enhance the performance of our Ahsay™ Backup Software.

In April 2014, we officially released two editions of CloudBacko Backup Software for our customers to purchase, including CloudBacko Pro and CloudBacko Lite. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from software licence sales of CloudBacko Backup Software amounted to nil, approximately HK\$197,000 and approximately HK\$165,000, which in aggregate accounted for approximately 0.5% of our revenue from software licence sales and leasing during the Track Record Period. In June 2015, we released one more edition of CloudBacko Backup Software, namely, CloudBacko Home. For the details of CloudBacko Backup Software, please refer to “Business — Our Products and Services — Software licence sales and leasing — CloudBacko Backup Software” in this prospectus.

All of our customers may choose to purchase or lease our Ahsay™ Backup Software. Our customers who intend to own our Ahsay™ Backup Software perpetually may purchase our Ahsay™ Backup Software at a one-off purchase price, while our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software at a monthly rate. On the other hand, our CloudBacko Backup Software is available for purchase only.

The following table sets forth a breakdown of our revenue from software licence sales and leasing during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March	
	2013		2014		2015	
	HK\$'000	(%)	HK\$'000	(%)	HK\$'000	(%)
Software licence sales	14,834	41.2	9,100	29.8	2,742	33.5
Software licence leasing (Note)	21,146	58.8	21,479	70.2	5,439	66.5
<b>Total</b>	<b>35,980</b>	<b>100.0</b>	<b>30,579</b>	<b>100.0</b>	<b>8,181</b>	<b>100.0</b>

Note: For Ahsay™ Backup Software only.

For the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from our software licence leasing represented a majority, i.e. approximately 58.8%, 70.2% and 66.5%, respectively, of our revenue generated from software licence sales and leasing during the corresponding periods. In addition, software licence leasing accounted for approximately 36.4%, 39.8% and 38.2% of our total revenue during the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. Our revenue generated from software licence leasing during the Track Record Period and up to the Latest Practicable Date represents a majority of our revenue generated from software licence sales and leasing throughout the Track Record Period and up to the Latest Practicable Date. With the upcoming version 7 of our Ahsay™ Backup Software, which is expected to be released in the fourth quarter of 2015, our Directors believe that existing leasing customers will continue to lease Ahsay™ Backup Software from us as replacement costs is higher than the costs of software upgrades and new customers will be attracted to the features of version 7. Based on the industry norm and our past experience, new customers are more likely to lease Ahsay™ Backup Software from us when they first commence business relationships with us. For the reasons stated above, our Directors expect that revenue contribution from our software licence leasing will continue to represent a majority of our revenue from software licence sales and leasing in the near future as our customer base for software licence leasing is expected to grow steadily. Going forward, based on the best knowledge and



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## BUSINESS

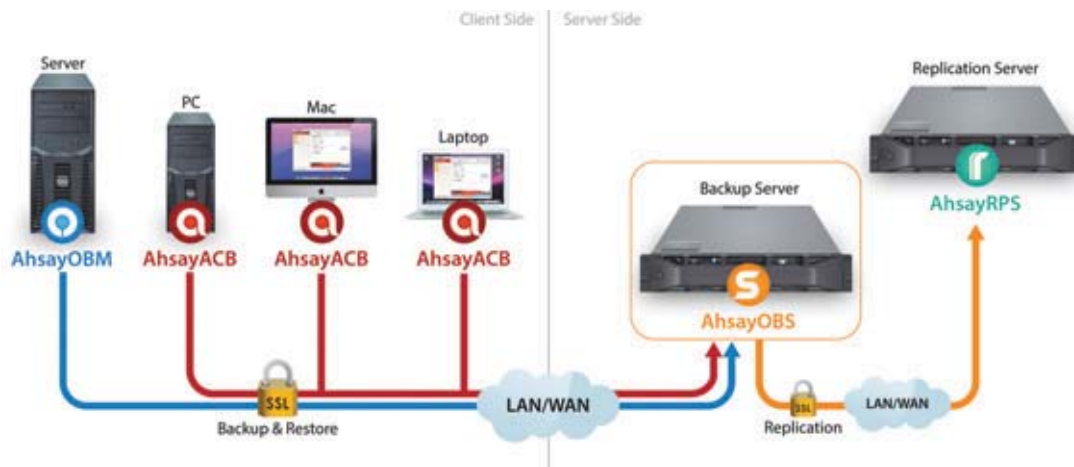
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information of our Directors, our Directors do not expect any imminent change of customers' usage patterns on backup software products.

Our Ahsay™ Backup Software is rebrandable. Our customers who have purchased the Rebranding Option or those who have been granted access to our Customisation Portal prior to the introduction of the Rebranding Option in October 2012 may rebrand our Ahsay™ Backup Software. For details, please refer to “Our Products and Services – Other services – The Rebranding Option” below in this section. On the other hand, our CloudBacko Backup Software is targeted at end-users and is not rebrandable.

### **Core software components of our Ahsay™ Backup Software**

The four core software components of our Ahsay™ Backup Software are AhsayOBM, AhsayACB, AhsayOBS and AhsayRPS. AhsayOBM is the backup software for installing on the servers that the end-users need to backup, while AhsayACB is the backup software for installing on the desktops or laptop computers that the end-users need to backup. AhsayOBS is the backup server software for installing on a server that manages all AhsayOBM and AhsayACB accounts as well as the end-users' backup data. AhsayRPS is a replication server software for providing an additional backup of the AhsayOBS. Both AhsayOBM and AhsayACB are installed at client side, while AhsayOBS and AhsayRPS are installed at server side in a client-server relationship of a computer network. The following is an overview diagram showing the relationship among these four core software components:



As shown in the above diagram, AhsayOBM is installed on the server at client side (i.e. end-user's side) to backup the data saved in the server of the end-user and AhsayACB is installed on each of the PC, Mac and laptop at client side (i.e. end-user's side) to backup the data saved in the desktop and laptop computers of the end-user. After proper configuration of the relevant software components of our Ahsay™ Backup Software, the data saved in the server of the end-user will be backed up automatically through the use of AhsayOBM and the data saved in the desktop and laptop computers of the end-user will be backed up automatically through the use of AhsayACB. The data backup will then be transmitted to the backup server at server side (i.e. our customer's side) installed with AhsayOBS through LAN/WAN. AhsayRPS is installed on the replication server at server side (i.e. our customer's side) to replicate the backup stored in the AhsayOBS backup server automatically through LAN/WAN. Both the AhsayOBS backup server and the AhsayRPS backup server are controlled and managed by our customer. The data transmitted between AhsayOBM/AhsayACB and AhsayOBS and between the AhsayOBS backup server and the replication server through LAN/WAN, respectively, is encrypted through SSL channel.

It is not necessary to install both AhsayOBM and AhsayACB to build a basic and functional Ahsay™ Backup Software. The end-users can choose to (i) install AhsayOBM to backup their virtual

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## BUSINESS

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and physical server at client side only; (ii) install AhsayACB to backup each of their desktop and laptop computers at client side only; or (iii) install both AhsayOBM and AhsayACB to backup their virtual and physical server at client side and their desktop and laptop computers at client side. The number of licences of AhsayOBM, AhsayACB, AhsayOBS and AhsayRPS required by our customers depend on the architectures of their computing systems.

The following is a summary of the core software components of our Ahsay™ Backup Software:



### *AhsayOBM*

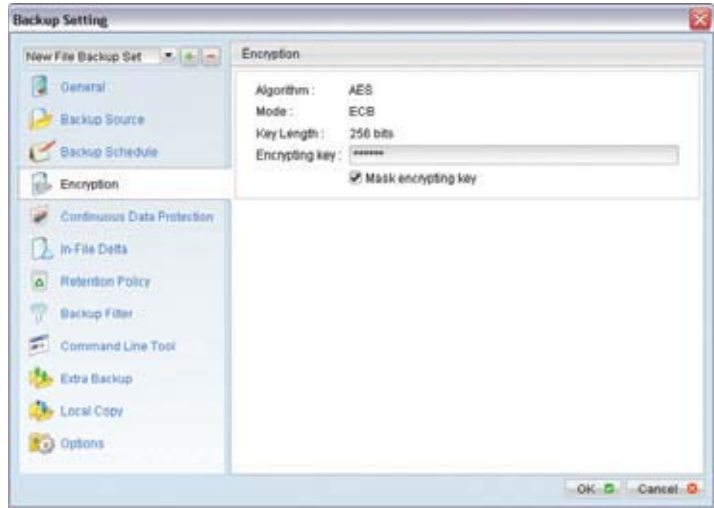
- To be installed at : • Servers at client side for the backing up of virtual machines, database and email servers
- Core values : • Backs up server data automatically according to a pre-defined schedule to prevent data loss caused by human errors, natural disasters, hardware and software malfunctions, theft, etc.
- Protects mission critical files, virtual machines and data that need to be backed up very frequently
  - Provides an easy way for end-users to choose a specific version of backup to restore
  - Supports the backup of various virtual machines and common business applications, such as Exchange Server, VMware, SQL Server and Oracle Database
- Key features : • Flexible backup schedules: AhsayOBM allows end-users to define their own backup schedule. Four types of schedule, i.e. daily, weekly, monthly, and custom and multiple backup schedules for each backup set are available to end-users. Multiple backup schedules of different type (such as daily or weekly) can be configured for each backup set
- Multiple backup sets: AhsayOBM supports the creation of multiple backup sets for different sources of backup (such as files, Exchange Database), each with its own configurations
  - Advanced backup filter: AhsayOBM comes with a comprehensive filtering tool allowing end-users to create one or multiple backup filters for a specific backup set. This backup filter is designed for filtering files that end-users need to backup to achieve special backup needs

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## BUSINESS

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Below are selected screenshots of our AhsayOBM software component (from left: login interface of AhsayOBM; backup setting interface of AhsayOBM):

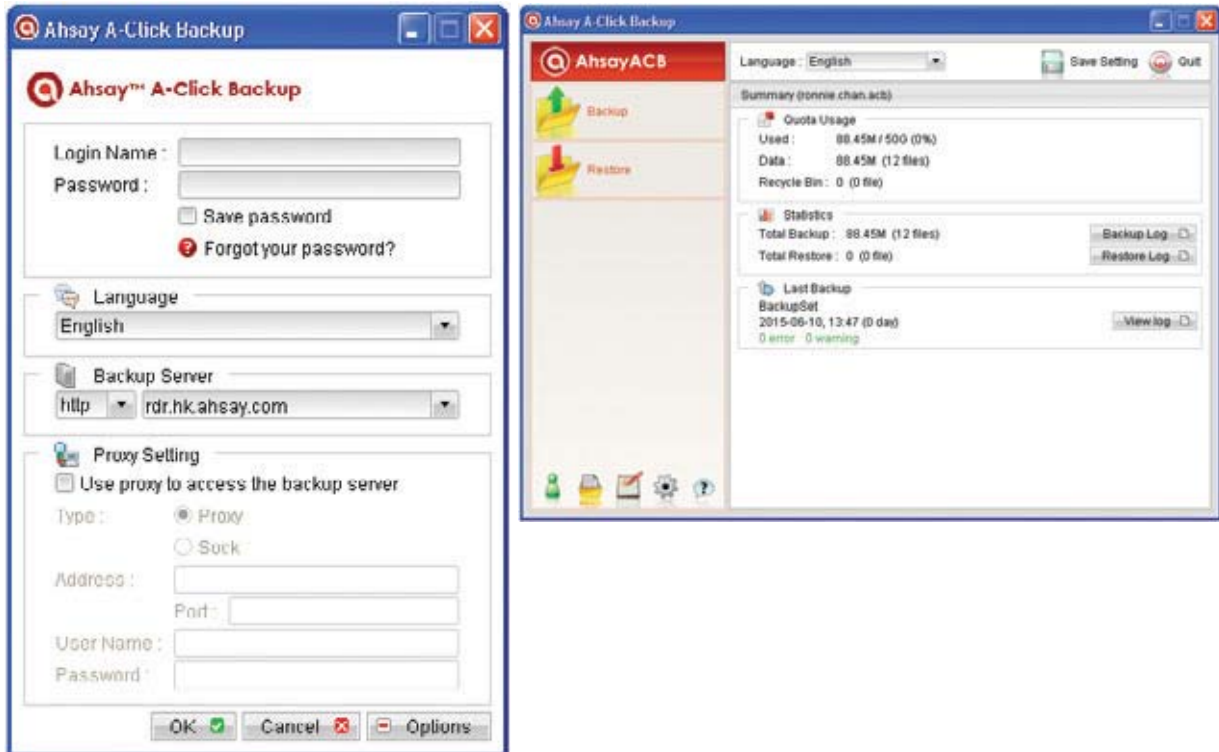




*AhsayACB*

- To be installed at : • PCs / Macs / laptops at client side
- Core values : • Backs up data saved in desktop or laptop computers automatically according to a pre-defined schedule to prevent data loss caused by human errors, natural disasters, hardware and software malfunctions, theft, etc.
- Protects mission critical files and data that need to be backed up very frequently
  - Provides an easy way for end-users to choose a specific version of backup to restore
- Key features : • Daily backup schedule: The built-in backup schedule function allows end-users to create a daily backup schedule with simple configuration. Backup can be performed for a desktop or laptop on a daily basis
- Backup filter: This allows end-users to filter the files and folders to be included or excluded in a backup set by their type. AhsayACB can automatically backup all files of a particular type within the selected directory

Below are selected screenshots of our AhsayACB software component (*from left: login interface of AhsayACB; backup summary of AhsayACB*):



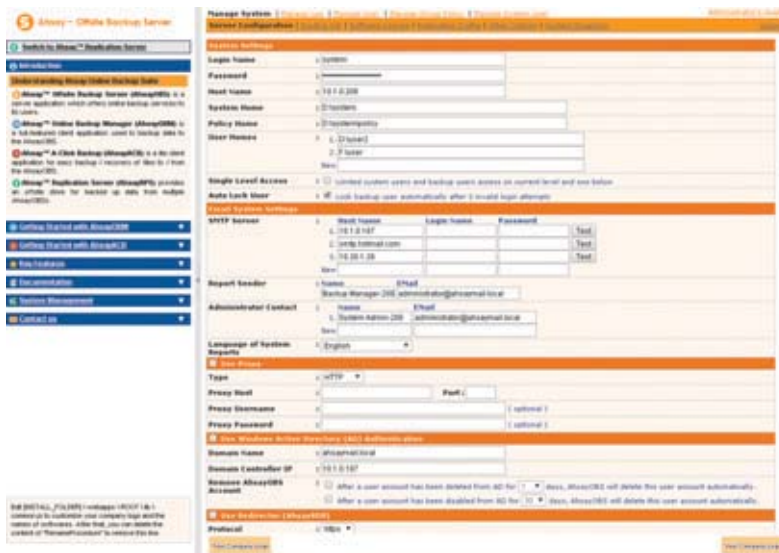
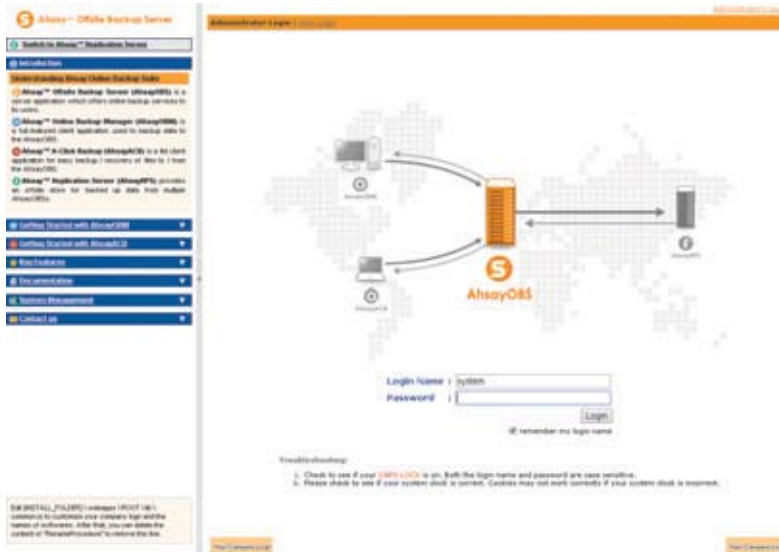


### *AhsayOBS*

- To be installed at : • Any machine at server side that runs Windows, Linux or Unix
- Core values : • Bundled with web based centralised management console that allows system administrators of our customers to manage all AhsayOBM and AhsayACB accounts, backup data, and monitor the whole backup system's performance through any common web browsers
- Generates comprehensive reports and logs for administrators to easily monitor the operation of the backup system and the backup of each user
  - Integrates with external applications easily through APIs provided by AhsayOBS
- Key features : • Backup data integrity ensured: AhsayOBS has a built-in data integrity checking function to ensure that all the backups are identical to the source data. Corrupted files found during the checking process are to be backed up automatically during the next backup process to ensure that all selected data has been backed up and is restorable
- Rebrandable and external integration: All the graphics and wordings of AhsayOBS are rebrandable and our customers can substitute the default graphics and wordings with theirs. Therefore, it can be fully integrated into our customers' existing offering mix
  - Unlimited trial accounts for potential end-users: AhsayOBS supports the creation of unlimited backup trial accounts for our customers to entice potential end-users. This feature can effectively increase our customers' success rate, as most end-users tend to perform trial before engaging an online backup service

# BUSINESS

Below are selected screenshots of our AhsayOBS software component (from top: login interface of AhsayOBS; configurations of AhsayOBS):

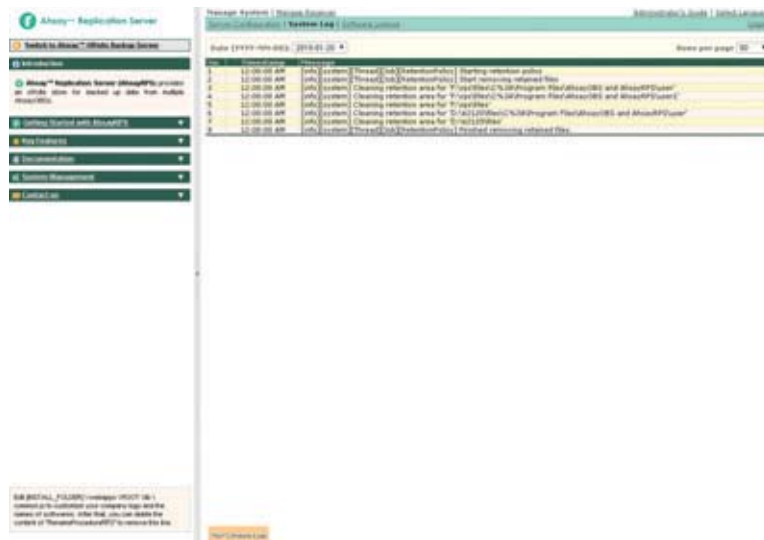
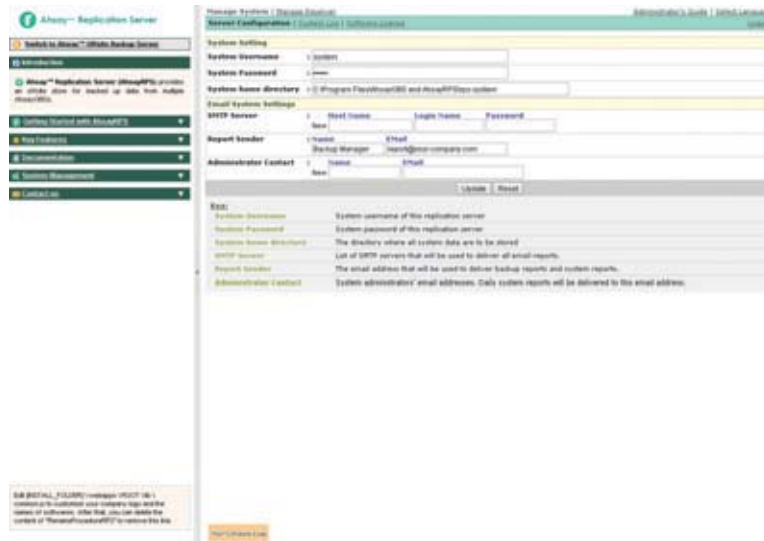




AhsayRPS

- To be installed at : • Any machine at server side that runs Windows, Linux or Unix
- Core values : • Provides additional backup protection to AhsayOBS backup servers by offering close to real time replication of the backup on AhsayOBS. In case an AhsayOBS backup server fails, an AhsayRPS server can be instantly converted into a backup server to keep the backup service uninterrupted or, alternatively, the replicated data can be restored from the replicated data on an AhsayRPS server for rebuilding a new AhsayOBS backup server
- Key features : • Replicates from multiple backup servers: AhsayRPS is able to replicate backup data and user profiles from multiple AhsayOBS backup servers. Therefore, our customers can use a single AhsayRPS server to provide a secondary protection for multiple AhsayOBS backup servers

Below are selected screenshots of our AhsayRPS software component (from top: server configuration of AhsayRPS; system log of AhsayRPS):





### **Other software components of our Ahsay™ Backup Software**

Apart from the four core software components of our Ahsay™ Backup Software, we also offer other software components including AhsayUBS, AhsayRDR and AhsayPRD to support our Ahsay™ Backup Software. The following is a brief summary of AhsayUBS, AhsayRDR and AhsayPRD:



#### *AhsayUBS*

To be installed at: A bare backup server machine as an operating system

Core value: Offers a super quick way for building a backup appliance out of a bare server machine

AhsayUBS can work with a bare backup server machine without other operating system, such as Windows and Linux, offering our customers a more affordable substitute



#### *AhsayRDR*

To be installed at: Our customers' operating systems that host and manage multiple AhsayOBS machines

Core value: Allows a backup service provider to use multiple AhsayOBS to serve a large number of end-users with one backup service URL



#### *AhsayPRD*

To be installed at: Our customers' operating systems that host multiple branded AhsayOBS instances

Core value: Allows the full utilisation of the processing power of the backup server hardware. It helps our customers to save cost on operating system, unique Internet Protocol address, and SSL certificate. It allows each AhsayOBS running on the AhsayPRD to have unique branding

### **Add-on Backup Software Modules of our Ahsay™ Backup Software**

We also offer add-on backup software modules for AhsayOBM to backup different types of servers including Exchange Mailbox, VMware, Hyper-V, Exchange DAG, Exchange Database, SQL Server, Oracle Database, Lotus Domino, MySQL Database, Windows State and Windows. For each set of data to be backed up, AhsayOBM will create a "Backup Set" for it. AhsayOBM supports the creation of multiple backup sets of a particular type of data. Each type of data utilises a specific backup module to handle the backup and restoration process.

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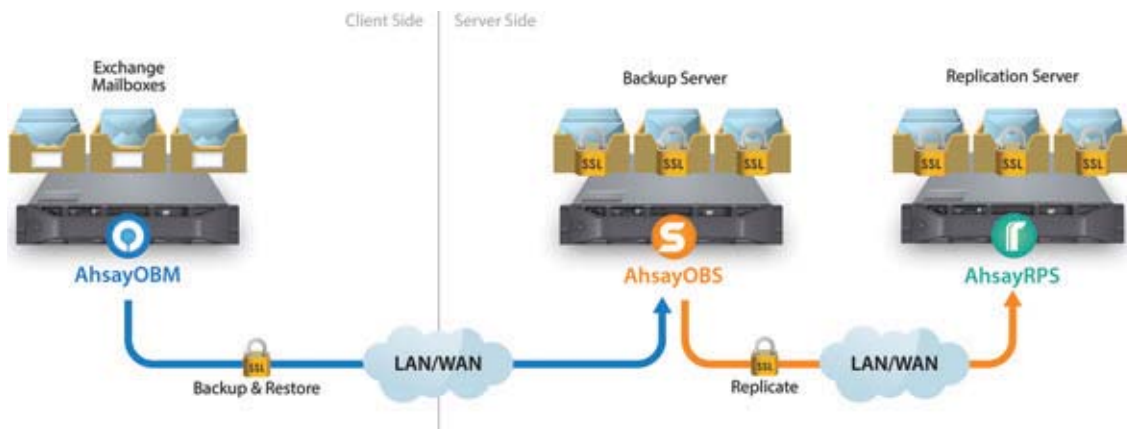
## BUSINESS

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During the Track Record Period, apart from Ahsay™ Individual Mailbox Backup Module and licences for backing up guest virtual machines in VMware and Hyper-V, we offered all other add-on backup software modules for AhsayOBM to backup different types of servers complimentary to our customers to promote the selling and leasing of AhsayOBM.

Ahsay™ Individual Mailbox Backup Module is used in conjunction with AhsayOBM. Without the use of Ahsay™ Individual Mailbox Backup Module, AhsayOBM is capable of backing up the whole database of Exchange Server only. When using Ahsay™ Individual Mailbox Backup Module in conjunction with AhsayOBM, our customers and the end-users can perform brick-level backup, such as backing up individual mails, contacts and calendars in selected mailboxes, and hence backup and restoration can be completed in a more efficient way.

The following is an overview diagram showing the relationship among AhsayOBM and Ahsay™ Individual Mailbox Backup Module at client side, and AhsayOBS and AhsayRPS at server side:



### **CloudBacko Backup Software**

In 2014, we officially released our first backup software product under our brand name “CloudBacko”, which enables end-users to backup their data to local storage destinations and/or public cloud storage destinations. As the target customers of CloudBacko Backup Software are end-users, CloudBacko Backup Software is not rebrandable. In April 2014, we officially launched two editions of CloudBacko Backup Software, CloudBacko Pro and CloudBacko Lite, to the market which are available at a one-off purchase price for purchase through the Internet via [www.cloudbacko.com](http://www.cloudbacko.com). For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from software licence sales of CloudBacko Backup Software amounted to nil, approximately HK\$197,000 and approximately HK\$165,000, representing nil%, approximately 0.4% and approximately 1.2% of our total revenue during the corresponding periods, respectively.

In June 2015, we released one more edition of CloudBacko Backup Software, CloudBacko Home, to the market.



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## BUSINESS

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### Features of CloudBacko Backup Software

CloudBacko Backup Software has the following features:

#### 1. Privacy protection

Our Directors consider that privacy is a major concern for users to store data in public cloud destinations. Without using our CloudBacko Backup Software, data backed up at public cloud destinations is not encrypted and may be opened and read by anyone who has access to the public cloud destinations or in case of leakage. Our CloudBacko Backup Software has a unique feature which aims at privacy protection by encrypting filenames and data with 256-bit randomised key before sending it to public cloud destinations.

#### 2. Combination of multiple public cloud storage

CloudBacko Backup Software allows end-users to choose local storage destinations and/or public cloud storage destinations to backup data. It is a unique feature of our CloudBacko Backup Software to combine unlimited popular free and paid public cloud storage services, such as Dropbox, Microsoft OneDrive, Google Drive, Google Cloud Storage, Windows Azure and Amazon S3, provided by different service providers into one big pool of storage. Our Directors believe that with the emergence of Big Data, the ability to choose free and/or paid public cloud storage services would offer flexibility to end-users who have limited budget to spend on backup.

### We target at end-users for our CloudBacko Backup Software

In April 2014, we officially launched two editions of our CloudBacko Backup Software, namely, CloudBacko Pro and CloudBacko Lite, which include different features targeting at end-users. Depending on the features to be purchased by our customers, the purchase prices of CloudBacko Pro and CloudBacko Lite range from US\$39 to US\$780 (approximately HK\$304.2 to HK\$6,084.0) and from US\$9 to US\$27 (approximately HK\$70.2 to HK\$210.6), respectively.

Our CloudBacko Backup Software currently supports English, Traditional Chinese and Simplified Chinese. All editions of our CloudBacko Backup Software can be run on Windows and Mac platforms. CloudBacko Home and CloudBacko Pro can also be run on Linux platform.

All CloudBacko Backup Software comes with a basic software and standard support services. CloudBacko Pro is designed for end-users to backup data located in virtual machines, applications, databases and Windows system, whereas CloudBacko Lite is designed for end-users to backup data located in desktops and laptops. Depending on the CloudBacko Backup Software to which end-users purchased their software licences, end-users may purchase additional backup functions. We also offer premium support services to end-users which use our CloudBacko Backup Software at an additional annual fee.

### ***Our new backup software product of the upcoming version 7 of our Ahsay™ Backup Software – AhsayCBS***

According to the Frost & Sullivan Report, the global cloud computing market has been witnessing fast and steady growth in recent years, and the growth rate of cloud computing market is related to many other factors, such as the maturity of cloud technology, the improvement of Internet speed and the promotion of mobile network. Our Directors believe that the benefits of cloud storage have been widely accepted by the market. As such, our Directors are of the view that such trend provides an opportunity for our customers to make promising recurring incomes through offering managed cloud backup service.

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## BUSINESS

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Riding on the growth of cloud computing market, we released an alpha version of the server-side software component of the upcoming version 7 of our Ahsay™ Backup Software in February 2015, and we target to launch the full version of such server-side software component in the fourth quarter of 2015 together with our annual upgrades of our client-side software components, such as AhsayOBM and AhsayACB, of our Ahsay™ Backup Software. The code for this server-side software component is AhsayCBS which will be our latest backup software component that bundles up all of our latest versions of our core server-side backup software components and a new integrated billing system, under one umbrella. Consistent with the market positioning of our Ahsay™ Backup Software in the past, AhsayCBS will also be rebrandable.

### *New features of AhsayCBS*

AhsayCBS is the server-side software component of the upcoming version 7 of our Ahsay™ Backup Software which is expected to be launched in the fourth quarter of 2015. AhsayCBS is not a brand new product to replace our Ahsay™ Backup Software. AhsayCBS will integrate, among other things, upgrades of existing versions of AhsayOBS and AhsayRPS, both being server-side components that are currently available to our customers complementarily, into one single component. Further, AhsayCBS comes with a wide ranges of new features, such as public cloud storage support, real time system monitoring, integrated billing system and mobile-friendly user interface. The key new features of AhsayCBS are summarised as follows:

- Cloud Storage Support

AhsayCBS will be able to support the customisation of backup storage destinations for the backing up of data to private cloud storage and/or public cloud storages such as Amazon S3, Dropbox, Google Drive and Microsoft OneDrive. As a comprehensive backup software product, AhsayCBS will enable AhsayOBS and AhsayRPS to support custom backup destinations as described above, and backup servers will be able to replicate data to cloud destinations.

Such new cloud storage support feature enables our customers to combine unlimited public cloud and local destinations into one pooled storage, thereby providing our customers different costs options and flexibilities.

- Centralised Management

AhsayCBS will enable our customers to manage end-users, end-users groups, policies governing such end-users groups, backup server, replication server, redirector and billing under one web console. Through AhsayCBS, our customers can instantaneously monitor system resources, and backup, replication and redirection status, thereby improving the efficiencies and productivities of our customers.

- Mobile-friendly Interface

With the growing adoption of smartphones and tablets, AhsayCBS will include a new web console interface which allows all features of AhsayCBS to be conducted in any electronic devices, such as desktop computers, smartphones and tablets computers. With the mobile-friendly interface, our customers will be able to manage their services to end-users anytime and anywhere, provided that they have access to mobile devices with Internet access.

After launching the upcoming version 7 of our Ahsay™ Backup Software which AhsayCBS will form part, our existing customers and new customers may choose to use the current version or the upcoming version 7 of our Ahsay™ Backup Software. Our Directors are of the view that such arrangement is consistent with the approach of major software developers, such as Microsoft, when introducing new versions of their software products. While our customers who choose to use the current version of our Ahsay™ Backup Software will be able to continue to use AhsayOBS and AhsayRPS as complimentary components, such components will not be available complementarily to customers who will upgrade to the upcoming version 7 of our Ahsay™ Backup Software. As such, the

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## BUSINESS

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upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of market acceptance as our current and previous versions of our Ahsay™ Backup Software. For details, please refer to the section headed “Risk Factors — Risks Relating to Our Group — The upcoming version 7 of our Ahsay™ Backup Software may not achieve the same level of market acceptance in the past; and the selling and leasing of AhsayCBS may not necessarily increase our overall revenue or net profit” in this prospectus.

It is intended that the pricing strategy for AhsayCBS will be similar to the pricing strategy for the major software components of the existing version of our Ahsay™ Backup Software, as AhsayCBS is expected to be available to our customers for purchase and lease starting from the fourth quarter of 2015, and we intend to target AhsayCBS at the existing group of customers of our Ahsay™ Backup Software and potential customers which share the same profile as our existing customers. As AhsayCBS is an integrated upgrade of existing versions of AhsayOBS and AhsayRPS, after the launching of AhsayCBS, such complimentary server-side components will cease to be further developed by our Group. Existing customers who have purchased or are leasing the current version of our Ahsay™ Backup Software from us, and new customers, can continue to utilise the current version if they so wish; however, with additional features provided in AhsayCBS, such as the ability to combine free public cloud storage, our Directors believe that existing customers who have purchased licences for, or are leasing, the current version of our Ahsay™ Backup Software are likely to be attracted to purchase licences of AhsayCBS and lease AhsayCBS from us on the basis that (i) it is an industry norm for backup software products to have a strong user-stickiness due to higher replacement cost of users compared with the cost of product upgrading; and (ii) our total revenue increased by approximately 10% in the year immediately following a major upgrade of version 6 of our Ahsay™ Backup Software in 2011 which had similar size and scale of upgrades as the upcoming version 7 upgrade of our Ahsay™ Backup Software. For details of the pricing strategy of existing version of our Ahsay™ Backup Software, please refer to “Our Products and Services — Software licence sales and leasing — Prices and rates of our major software products, and the annual fees for our software upgrades and maintenance services” below in this section.

### ***Prices and rates of our major software products, and the annual fees for our software upgrades and maintenance services***

During the Track Record Period, AhsayOBM, AhsayACB and Ahsay™ Individual Mailbox Backup Module in aggregate accounted for over 90.0% of our revenue from software licence sales and leasing.

All of our customers may choose to purchase or lease our Ahsay™ Backup Software. Our customers who intend to own our Ahsay™ Backup Software perpetually may purchase our Ahsay™ Backup Software at a one-off purchase price, while our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software at a monthly rate. To the best knowledge and information of our Directors, while most of our customers provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, some of our customers are end-users of our Ahsay™ Backup Software.

Our CloudBacko Backup Software is available for purchase only and is targeted at end-users.

The unit prices and rates of our backup software products, and the annual fees for our software upgrades and maintenance services, depend on, among other things, the number of licences purchased or leased by our customers. In general, the more the licences purchased or leased by our customers, the lower the unit prices and rates for purchasing or leasing are. While we continued to enhance our backup software products during the Track Record Period, there was no change in the pricing trend for the sales and lease of our major software products during the Track Record Period and there was no change in the unit sales price/ monthly leasing fee for our major software products during the Track Record Period. The annual fees for software upgrades and maintenance services for each licence purchased are fixed. Set out below are the prices, rates and annual fees for our software upgrades and maintenance services of our major software products, namely AhsayOBM, AhsayACB

## BUSINESS

and Ahsay™ Individual Mailbox Backup Module Licence (which is an add-on backup module for AhsayOBM):

### AhsayOBM

#### Software licence sales

Number of licence to purchase	Price / Licence <sup>(Note 1)</sup>	Annual fees for software upgrades and maintenance services <sup>(Note 2)</sup>
1 - 4 .....	US\$525 (Approximately HK\$4,095)	
5 - 9 .....	US\$200 (Approximately HK\$1,560)	
10 - 19 .....	US\$75 (Approximately HK\$585)	US\$12 (Approximately HK\$93.6) / Licence / Year (Complimentary for the first 12 months)
20 - 49 .....	US\$70 (Approximately HK\$546)	
50 - 99 .....	US\$65 (Approximately HK\$507)	
100 -199 .....	US\$60 (Approximately HK\$468)	
200 or more .....	Subject to negotiation	

#### Software licence leasing

Number of licence to lease	Price / Licence / Month <sup>(Notes 2, 3)</sup>
1 - 300 .....	US\$6.0 (Approximately HK\$46.8)
301 - 500 .....	US\$5.4 (Approximately HK\$42.1)
501 - 1,000 .....	US\$4.8 (Approximately HK\$37.4)
1,001 - 5,000 .....	US\$4.2 (Approximately HK\$32.8)
5,001 -10,000 ....	US\$3.6 (Approximately HK\$28.1)
10,001 or more ...	Subject to negotiation

#### Notes:

- (1) The price / licence covers the purchase price for AhsayOBM and the add-on backup modules for the following types of servers: Exchange DAG, Exchange Database, SQL Server, Oracle Database, Lotus Domino, MySQL Database and Windows.
- (2) We offer complimentary software upgrades and maintenance services to (a) our customers who purchase our Ahsay™ Backup Software, within the first year from the date of activation of each Ahsay™ Backup Software licence; and (b) our customers who lease our Ahsay™ Backup Software throughout the leasing period. Depending on the needs of our customers who purchase our Ahsay™ Backup Software, they may pay a fixed annual fee after the expiration of one year from activation of each licence purchased for software upgrades and maintenance services.
- (3) The price / licence / month covers the rates for leasing AhsayOBM and the add-on backup modules for the following types of servers: Exchange Server, SQL Server, Oracle Database, Lotus Domino, MySQL Database and Windows.

### AhsayACB

#### Software licence sales

Number of licence to purchase	Price / Licence	Annual fees for software upgrades and maintenance services <sup>(Note)</sup>
1 - 4 .....	US\$60 (Approximately HK\$468)	
5 - 9 .....	US\$50 (Approximately HK\$390)	
10 - 99 .....	US\$40 (Approximately HK\$312)	US\$3 (Approximately HK\$23.4) / Licence / Year (Complimentary for the first 12 months)
100 - 199 .....	US\$35 (Approximately HK\$273)	
200 or more .....	Subject to negotiation	

#### Software licence leasing

Number of licence to lease	Price / Licence / Month <sup>(Note)</sup>
1 - 300 .....	US\$3.0 (Approximately HK\$23.4)
301 - 500 .....	US\$2.7 (Approximately HK\$21.1)
501 -1,000 .....	US\$2.4 (Approximately HK\$18.7)
1,001 -5,000 .....	US\$2.1 (Approximately HK\$16.4)
5,001 -10,000 ....	US\$1.8 (Approximately HK\$14.0)
10,001 or more ...	Subject to negotiation



## BUSINESS

*Note:*

We offer complimentary software upgrades and maintenance services to (a) our customers who purchase our Ahsay™ Backup Software, within the first year from the date of activation of each Ahsay™ Backup Software licence; and (b) our customers who lease our Ahsay™ Backup Software throughout the leasing period. Depending on the needs of our customers who purchase our Ahsay™ Backup Software, they may pay a fixed annual fee after the expiration of one year from activation of each licence purchased for software upgrades and maintenance services.

### Ahsay™ Individual Mailbox Backup Module Licence

#### Software licence sales

#### Software licence leasing

Number of licence to purchase	Price / Licence	Annual fees for software upgrades and maintenance services <sup>(Note)</sup>	Number of licence to lease	Price / Licence / Month <sup>(Note)</sup>
1 – 9	US\$10 (Approximately HK\$78)		1 – 500	US\$0.5 (Approximately HK\$3.9)
10 – 19	US\$9 (Approximately HK\$70.2)	US\$0.75 (Approximately HK\$5.6)	501 – 1,000	US\$0.25 (Approximately HK\$1.95)
20 – 49	US\$8 (Approximately HK\$62.4)	/ Mailbox / Year (Complimentary for the first 12 months)	1,001 – 5,000	US\$0.20 (Approximately HK\$1.56)
50 – 99	US\$7 (Approximately HK\$54.6)		5,001 – 10,000	US\$0.16 (Approximately HK\$1.24)
100 – 199	US\$6 (Approximately HK\$46.8)		10,001 or more	Subject to negotiation
200 or more	Subject to negotiation			

*Note:*

We offer complimentary software upgrades and maintenance services to (a) our customers who purchase our Ahsay™ Backup Software, within the first year from the date of activation of each Ahsay™ Backup Software licence; and (b) our customers who lease our Ahsay™ Backup Software throughout the leasing period. Depending on the needs of our customers who purchase our Ahsay™ Backup Software, they may pay a fixed annual fee after the expiration of one year from activation of each licence purchased for software upgrades and maintenance services.

We target customers of different scales for the sale and lease of the major software products of our Ahsay™ Backup Software. In general, the more the licences purchased by our customers or leased by us to our customers, the lower the unit prices and rates for purchasing or leasing are. By offering our customers different pricing options, we encourage them to purchase and/or lease from us our major software products in bulk.

Our pricing schedules for the purchase of AhsayOBM, AhsayACB and Ahsay™ Individual Mailbox Backup Module aim at our customers with established customers' base, which are more likely to have businesses to support bulk purchases and the financial ability to invest in the purchases of more licences. We set our purchase pricing scales with smaller ranges, starting from 1 to 4 licences for AhsayOBM and AhsayACB and 1 to 9 licences for Ahsay™ Individual Mailbox Backup Module Licence, as our Directors considered that well-established customers generally prefer to purchase licences to our Ahsay™ Backup Software than to lease from us, as (i) they normally have larger customer base and they are certain about the number of licences required to serve their respective customers; (ii) they have stable financial income and relatively more stable customer bases to justify upfront capital investments in our Ahsay™ Backup Software through purchasing licences from us; and (iii) it is more cost efficient in a long run given that they have larger customer bases. Further, to the best knowledge and information of our Directors, while most of our customers provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, some of our customers are end-users of our Ahsay™ Backup Software. When determining the purchase pricing



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## BUSINESS

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scales, considerations have also been taken into account of the needs of such end-users, which our Directors reasonably expect they are less likely to purchase a large number of licences from us. Our Directors believe that such purchase pricing schedules enable our customers, other than end-user customers, to enjoy a higher discount as they achieve certain purchase level.

Our pricing schedules for the lease of AhsayOBM, AhsayACB and Ahsay™ Individual Mailbox Backup Module aim at customers which have a smaller pool of customers and entities which have recently commenced their backup service businesses. We set our leasing pricing scales with larger ranges, starting from 1 to 300 licences for AhsayOBM and AhsayACB and 1 to 500 licences for Ahsay™ Individual Mailbox Backup Module Licence, as our Directors considered that smaller or less established customers generally prefer to lease licences to our Ahsay™ Backup Software from us, as (i) the leasing rate per licence is affordable; (ii) no capital investment is needed to be made upfront to lease licences from us, significant capital expenditure for the purchase of licences can be delayed until such customers are certain about the number of licences required to operate their business in the long run; (iii) the number of licences to be leased from us can be adjusted on a monthly basis; and (iv) we charge our customers on the actual number of active licences being used during a calendar month based on the applicable rate. Hence, by leasing our Ahsay™ Backup Software from us, our Directors reasonably believe that our customers, in particularly smaller and less established customers, can enjoy greater flexibilities in running their respective businesses, while they are building their customers' base.

Our Directors believe that the different pricing options we offer to our customers for the major software products of our Ahsay™ Backup Software is one of the key factors for our growth, as these pricing schedules enable us to target our products and services to a wider spectrum of customers. Based on our Directors' past experience and best knowledge, our pricing strategy and scales have been well received by our customers.

### ***Number of backup software licences purchased and leased by our customers during the Track Record Period***

During the Track Record Period, AhsayOBM, AhsayACB and Ahsay™ Individual Mailbox Backup Module in aggregate accounted for over 90.0% of our revenue from software licence sales and leasing.

## BUSINESS

The following table sets forth a breakdown of the number of backup software licences purchased or leased by our customers and the corresponding revenue during the Track Record Period:

	For the year ended 31 December						For the three months ended 31 March		
	2013			2014			2015		
	Number of licences	Revenue HK\$'000	(%)	Number of licences	Revenue HK\$'000	(%)	Number of licences	Revenue HK\$'000	(%)
<b>Software licence sales</b>									
AhsayOBM	31,334	11,365	76.6%	19,456	6,602	72.5%	5,158	1,908	69.6%
AhsayACB	8,865	1,328	9.0%	8,071	1,121	12.3%	2,447	371	13.5%
Ahsay™ Individual Mailbox Backup Module	34,569	1,051	7.1%	26,102	560	6.2%	5,480	171	6.2%
Add-on backup module for AhsayOBM to back up VMware server	3,782	625	4.2%	2,381	353	3.9%	581	105	3.8%
Add-on backup module for AhsayOBM to back up Hyper-V server	2,393	396	2.7%	1,708	253	2.8%	422	77	2.8%
Others	227	69	0.5%	711	211	2.3%	364	110	4.0%
<b>Subtotal</b>		<b>14,834</b>	<b>100.0%</b>		<b>9,100</b>	<b>100.0%</b>		<b>2,742</b>	<b>100.0%</b>
<b>Software licence leasing (for Ahsay™ Backup Software only)</b>									
AhsayOBM	357,699 <sup>(Note)</sup>	13,420	63.5%	356,975 <sup>(Note)</sup>	13,616	63.4%	90,807 <sup>(Note)</sup>	3,679	67.6%
AhsayACB	170,641 <sup>(Note)</sup>	3,327	15.7%	182,811 <sup>(Note)</sup>	3,707	17.3%	39,767 <sup>(Note)</sup>	875	16.1%
Ahsay™ Individual Mailbox Backup Module	887,146 <sup>(Note)</sup>	3,460	16.4%	816,892 <sup>(Note)</sup>	3,186	14.8%	165,370 <sup>(Note)</sup>	643	11.8%
Add-on backup module for AhsayOBM to back up VMware server	23,651 <sup>(Note)</sup>	457	2.2%	23,775 <sup>(Note)</sup>	464	2.2%	5,946 <sup>(Note)</sup>	116	2.1%
Add-on backup module for AhsayOBM to back up Hyper-V server	22,575 <sup>(Note)</sup>	437	2.1%	22,975 <sup>(Note)</sup>	448	2.1%	5,675 <sup>(Note)</sup>	111	2.0%
Others	2,283 <sup>(Note)</sup>	45	0.2%	2,580 <sup>(Note)</sup>	58	0.3%	640 <sup>(Note)</sup>	15	0.3%
<b>Subtotal</b>		<b>21,146</b>	<b>100.0%</b>		<b>21,479</b>	<b>100.0%</b>		<b>5,439</b>	<b>100.0%</b>
<b>Total software licence sales and leasing</b>		<b>35,980</b>			<b>30,579</b>			<b>8,181</b>	

Note: Represents the sum of the number of licences leased in each month throughout the relevant year/period.

### Software upgrades and maintenance services

For customers who purchase our backup software products, complimentary software upgrades and maintenance services will be provided (i) within the first year from the date of activation of each Ahsay™ Backup Software licence; and (ii) at any time after activation of each CloudBacko Backup Software licence. Subsequently, if they require our software upgrades and maintenance services for our Ahsay™ Backup Software, they are required to pay an annual fee for each Ahsay™ Backup Software licence purchased. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from software upgrades and maintenance services amounted to

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## BUSINESS

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approximately HK\$20.0 million, HK\$21.9 million and HK\$5.7 million, representing approximately 34.4%, 40.7% and 40.1% of our revenue, respectively.

As at 31 March 2015, our customer service and support team comprised 9 team members and is committed to delivering efficient and high-quality services to our customers. With our software upgrades and maintenance services, our customers are able to keep their Ahsay™ Backup Software up-to-date and enjoy our maintenance services. The scope of our software upgrades and maintenance services for our Ahsay™ Backup Software is as follows:

- software upgrades;
- full access to Ahsay™ Knowledge Base, which is a webpage at our sales website at [www.ahsay.com](http://www.ahsay.com) where certain technical and sales related questions and answers are posted by our Group to assist our customers and where our customers may discuss certain technical and sales related issues with our staff and other customers through a discussion forum;
- full access to Licence Management Portal, which is a portal provided by our Group to enable our customers to reallocate their bulk purchased software licence into small packs for re-distribution to their channels and their respective customers and pool different licence keys into one big pool for re-distribution;
- email support;
- ticket support via Ahsay™ Knowledge Base;
- remote troubleshoot (by appointment during Hong Kong office hours); and
- 8 hours per weekday service during Hong Kong office hours, with target response time of 24 hours for high and critical issues.

The annual fees for our software upgrades and maintenance services for our Ahsay™ Backup Software in respect of our major software products are set out in the tables on page 103 to page 104 of this prospectus.

### **Other services**

Our other services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from other services amounted to approximately HK\$1.9 million, HK\$1.3 million and HK\$316,000, representing approximately 3.2%, 2.4% and 2.3% of our revenue, respectively.

### ***The Rebranding Option***

The Rebranding Option is available to all of our customers who purchase or lease our Ahsay™ Backup Software at a one-off fixed unit price of US\$500 (approximately HK\$3,900). To the best knowledge and information of our Directors, while most of our customers provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, some of our customers are end-users of our Ahsay™ Backup Software who do not require the Rebranding Option.

Prior to the introduction of the Rebranding Option in October 2012, we offered two editions of Ahsay™ Backup Software, one edition of which, namely the “OEM Edition”, was targeted at IT consultants, web hosting companies, telecommunications companies and MSPs, which provide IT and/or backup-related services to their respective customers by utilising our Ahsay™ Backup

## BUSINESS

Software. On the other hand, the other edition, namely the “Business Edition”, was targeted at end-users. The principal difference of the two editions was that Customisation Portal was imposed on the OEM Edition, while Customisation Portal was not imposed on the Business Edition. By accessing the Customisation Portal, our customers can rebrand our Ahsay™ Backup Software into their own branded products. In October 2012, we standardised our Ahsay™ Backup Software and started to offer a single edition of our Ahsay™ Backup Software without Customisation Portal. Since then, our new customers and our existing customers with no access to our Customisation Portal can only access our Customisation Portal if they purchase the Rebranding Option, except for customers who had purchased the “OEM Edition” before October 2012. As at October 2012, a majority of our total customers had purchased the “OEM Edition”, such customers may continue to access our Customisation Portal after the standardisation of our Ahsay™ Backup Software in October 2012. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from the Rebranding Option amounted to approximately HK\$474,000, HK\$413,000 and HK\$58,000, respectively, representing approximately 0.8%, 0.8% and 0.4% of our revenue for the corresponding periods, respectively.

Our customers who have purchased the Rebranding Option may rebrand our Ahsay™ Backup Software into their own branded products. We provide our customers with the credentials to access the Customisation Portal where our customers are able to build their branded software installers through the Internet themselves. They can rebrand our Ahsay™ Backup Software with their own graphics and customise the wordings in their user interface. They can also hide some of the features of our Ahsay™ Backup Software to suit their own needs. The following table sets forth (i) the number of new customers who purchased the Rebranding Option; (ii) the number of the existing customers who purchased the Rebranding Option; and (iii) the total number of new customers, during the Track Record Period:

	For the year ended 31 December		For the three months ended 31 March
	2013	2014	2015
	Number of customers	Number of customers	Number of customers
New customers who purchased the Rebranding Option during the year/period .....	104	87	17
Existing customers who purchased the Rebranding Option during the year/period .....	<u>43</u>	<u>40</u>	<u>4</u>
<b>Total</b> .....	<u>147</u>	<u>127</u>	<u>21</u>
New customers for Ahsay™ Backup Software during the year/period (Note) .....	361	313	62
New customers for CloudBacko Backup Software during the year/period .....	<u>—</u>	<u>209</u>	<u>125</u>
<b>Total number of new customers during the year/period</b> .....	<u>361</u>	<u>522</u>	<u>187</u>

Note: Includes new customers who contributed revenue to the software licence sales and/or software licence leasing revenue streams during the Track Record Period. 5, 7 and nil customers had contributed both to the software licence sales and software licence leasing revenue streams for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

Our Directors consider that the decrease in the number of new and existing customers who purchased the Rebranding Option during the Track Record Period was mainly attributable to the market acceptance of our “Ahsay” brand name in the backup software industry over the years since the launch of our Ahsay™ Backup Software in 2003. To the best knowledge of our Directors, our customers perceived our “Ahsay” brand name as reliable and our customers are generally satisfied with the performance of our products. Therefore, both new and existing customers may not require the rebranding feature of our Ahsay™ Backup Software. Our Directors are of the view that the “Ahsay”

## BUSINESS

brand name is well received by both existing customers and potential customers in the backup industry.

Prior to the introduction of the Rebranding Option in October 2012, a majority of our customers had access to the Customisation Portal which enabled them to rebrand our Ahsay™ Backup Software into their own brand names. Along the years, those customers grew from a small company with a few respective customers to a much bigger company with hundreds of respective customers, which continue to use our Ahsay™ Backup Software and brought in substantial revenues to our Group. The revenues generated from such customers together with those customers who purchased the Rebranding Option during the Track Record Period are grouped as “revenue generated from rebranding customers”.

The following table sets forth a breakdown of our revenue from and the number of our rebranding customers and our non-rebranding customers during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March	
	2013		2014		2015	
	HK\$'000	Number of customers	HK\$'000	Number of customers	HK\$'000	Number of customers
Rebranding customers ( <i>Note 1</i> ) . . . . .	52,128	3,061	48,757	2,951	12,537	2,302
Non-rebranding customers ( <i>Note 2</i> ) . . .	5,936	720	5,216	757	1,688	800
<b>Total</b> . . . . .	<u>58,064</u>	<u>3,781</u>	<u>53,973</u>	<u>3,708</u>	<u>14,225</u>	<u>3,102</u>

Notes:

- (1) Represent our customers who had access to our Customisation Portal for rebranding our Ahsay™ Backup Software during the Track Record Period.
- (2) Represent all other customers of our Group (excluding our rebranding customers) who may be end-users during the Track Record Period.

### **Technical support services**

Our technical support services in relation to our Ahsay™ Backup Software mainly include the provision of technical support in relation to installation, configuration, software upgrade and rebranding, consultation and training. In general, our technical support services are provided on an one-off basis and are completed within a short period of time. For instance, we assist our customers in installing, configuring and upgrading our Ahsay™ Backup Software. We also provide technical support services to customers who have purchased the Rebranding Option in case they require us to assist in rebranding.

For our customers who purchase our CloudBacko Backup Software, our technical support services mainly include online and telephone consultation and support, which are subject to an annual fee.

### **Sale of hardware devices**

Our sale of hardware devices business involves the provision of hardware devices to our Hong Kong customers. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from sale of hardware devices amounted to approximately HK\$226,000, HK\$172,000 and HK\$18,000, representing approximately 0.4%, 0.2% and 0.1% of our revenue, respectively.

We offer all-in-one-backup appliances, such as Ahsay™ BackupBox T110 II, Ahsay™ BackupBox T420, Ahsay™ BackupBox R320 and Ahsay™ BackupBox R720xd, which are available for our Hong

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## **BUSINESS**

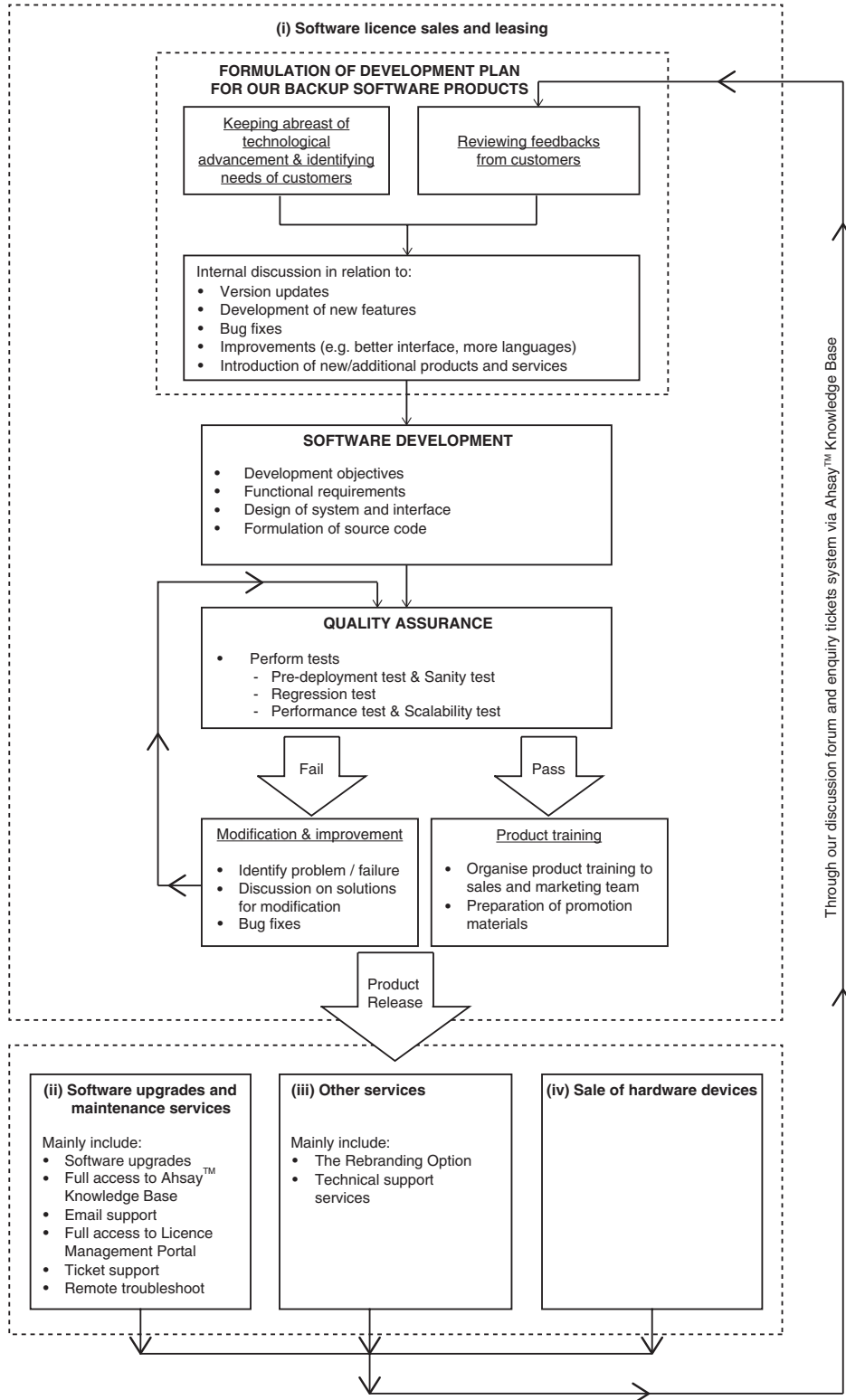
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Kong customers who intend to deploy our AhsayOBS server in-house but do not have sufficient time and expertise to select best-fitted server hardware. The target customers are SMEs or individual end-users located in Hong Kong. Such hardware devices are not available to overseas customers as specific modification and configuration are needed for each customer. As such, our sale of hardware devices is not conducted through our online sales websites, and our Hong Kong customers for our sale of hardware devices are approached by our sales representatives.

# BUSINESS

## OUR WORKFLOW

The following chart sets out our workflow, illustrating the key stages of our business operations including formulation of development plan for our backup software products, software development, quality assurance, and provision of services:





### **Formulation of Development Plan for our backup software products**

We strive to provide high quality software products to our customers by (i) keeping abreast of technological advancement, (ii) identifying the needs of our customers and (iii) reviewing feedbacks from our customers. During the stage of formulation of development plan, internal discussions are often taken place in relation to, among other things, the following:

- (i) version updates;
- (ii) development of new features;
- (iii) bug fixes;
- (iv) improvements (e.g. better interface, more languages); and
- (v) introduction of new/additional products and services.

### **Software development**

After going through the stage of development plan, our software development team, a sub-team of our R&D team, will begin to brainstorm the objectives and functional requirements of development. Members of our software development team with appropriate skills will be responsible for the development of software product, which involves the design of system and interface and the formulation of source code.

### **Quality assurance**

Our newly developed or updated software products are subject to several quality tests performed by our quality assurance team, a sub-team of our R&D team, before releasing to the public. These quality assurance tests may include pre-deployment test & sanity test, regression test and performance test & scalability test.

We release updated version and new features of our backup software products almost every year. Before such releases, our quality assurance team will perform regression test(s) by defining the scope of the test(s) and selecting appropriate minimum sets of tests required to adequately cover areas of our backup software products with the proposed updates and new features and any other areas that are vulnerable to such proposed updates and new features. The purpose of the regression test is to ensure the overall quality of our backup software products will not be affected when releasing updates and new features.

If a software product has failed to pass any of the quality assurance tests, modification and improvement procedures such as bug fixes will be implemented by our software development team. If a software product has passed all of the quality assurance tests, a product training will be provided to our sales and marketing team for the preparation of releasing such software products. Our sales and marketing team will also be responsible for preparing promotional materials, which may be distributed to our potential customers and uploaded to our sales websites, for marketing purposes.

### **Provision of services**

Our customers enjoy our software upgrades and maintenance services, which mainly include software upgrades, email support, ticket support, remote trouble shooting and full access to Ahsay™ Knowledge Base. Our software upgrades and maintenance services are free of charge to (i) our customers who purchase our Ahsay™ Backup Software, within the first year from the date of activation of each Ahsay™ Backup Software licence; (ii) our customers who lease our Ahsay™ Backup Software, throughout the leasing period; and (iii) our customers who purchase our CloudBacko Backup Software, at any time after activation of each CloudBacko Backup Software licence. Upon expiry of the one-year complimentary maintenance period for our Ahsay™ Backup Software, we

## BUSINESS

provide software upgrades and maintenance services to our customers who purchase our Ahsay™ Backup Software at an annual fee.

We provide services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. We offer high flexibility to our customers who have purchased the Rebranding Option to rebrand our Ahsay™ Backup Software to serve their respective customers. We also provide technical support services mainly include the provision of technical support in relation to installation, configuration, software upgrade and rebranding, consultation and training. Further, we provide technical support services to customers who have purchased the Rebranding Option in case they require us to assist in rebranding.

### SALES, DISTRIBUTION AND MARKETING

As at 31 March 2015, our sales and marketing team comprised 9 members, 4 of which are senior personnel and have worked for our Group for an average of 6 years. They are responsible for making recommendations as to the pricing of our products and services, customer relations, monitoring settlement of payments by our customers, building brand awareness, arranging for digital marketing, preparing marketing and promotional materials for our Group and our customers, providing training to our customers, and updating our sales websites. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the expenses related to the selling, distribution and marketing of our products and services amounted to approximately HK\$1.5 million, HK\$2.9 million and HK\$0.7 million, respectively.

#### Sales and distribution

During the Track Record Period, substantially all of our backup software products and services were sold to our customers or ordered by our customers directly through the Internet on our sales websites. During the Track Record Period, we had over 4,000 customers from over 75 countries worldwide. We classify our revenue geographically based on the information in respect of our customers' locations input by them in our sales websites. From time to time, we also verify the information on customers' geographic locations by checking IP addresses of our customers. The following table sets forth a geographic breakdown of our revenue during the Track Record Period:

	Year ended 31 December				Three months ended 31 March	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
United States (Note 1) . . . . .	10,877	18.7	10,498	19.5	3,128	22.0
Netherlands (Note 1) . . . . .	5,669	9.8	5,282	9.8	1,538	10.8
United Kingdom (Note 1) . . . . .	4,957	8.5	5,040	9.3	1,242	8.7
Sweden (Note 1) . . . . .	4,723	8.1	4,745	8.8	1,215	8.5
Denmark (Note 1) . . . . .	3,913	6.7	3,291	6.1	844	5.9
Canada (Note 1) . . . . .	2,949	5.1	2,901	5.4	615	4.3
Hong Kong (Note 1) . . . . .	2,816	4.8	2,595	4.8	616	4.3
Others (Note 2) . . . . .	22,160	38.3	19,621	36.3	5,027	35.5
	<u>58,064</u>	<u>100.0</u>	<u>53,973</u>	<u>100.0</u>	<u>14,225</u>	<u>100.0</u>

Notes:

(1) Represent countries which individually contributing more than 4.5% of the total revenue of our Group for any of the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015.

(2) For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from customers located in the PRC amounted to approximately HK\$2.1 million, HK\$393,000 and HK\$55,000, respectively, representing approximately 3.6%, 0.7% and 0.4% of our revenue during the same periods, respectively.

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## BUSINESS

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### Pricing policy

The prices of our products and services are determined based on a number of factors, including but not limited to (i) development costs; (ii) product development cycles; (iii) scope of software licence; (iv) market conditions; and (v) our business strategies. We also take into consideration the prices of similar products and services available in the market. Set out below is a summary of our pricing policy in respect of each major category of our business:

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#### Pricing policy

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##### **Software licence sales and leasing**

###### ***Software licence sales***

Our customers who intend to own our backup software products perpetually may purchase our backup software products at a one-off purchase price through the Internet on our sales websites. We generally charge such customers on a fixed unit price basis, and the total purchase price is dependent on the number of backup software products to be purchased by our customers and the unit price for the relevant backup software products. The pricing depends on factors such as the features of the backup software products, our development costs for the relevant backup software products and the prevailing market rate.

Our customers are entitled to our complimentary software upgrades and maintenance services (i) within the first year from the date of activation of each Ahsay™ Backup Software licence; and (ii) at any time after activation of each CloudBacko Backup Software licence.

###### ***Software licence leasing***

Our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software through the Internet on our sales website at [www.ashay.com](http://www.ashay.com). We generally charge our customers on a monthly basis, and the total leasing fee for each month is dependent on the number of Ahsay™ Backup Software to be leased by the customers and the monthly rate for the relevant Ahsay™ Backup Software. Our customers, such as IT consultants, web hosting companies, telecommunications companies and MSPs, provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software. Where our Group leases our Ahsay™ Backup Software to such customers, the monthly license fees are settled directly by such customers instead of their respective customers. The pricing depends on factors such as the features of the Ahsay™ Backup Software, our development costs for the relevant Ahsay™ Backup Software and the prevailing market rate.

###### **Software upgrades and maintenance services**

Our customers who purchase our Ahsay™ Backup Software are entitled to our complimentary software upgrades and maintenance services within the first year from the date of activation of each Ahsay™ Backup Software licence. Upon expiry of the one-year complimentary maintenance period, we generally charge such customers an annual fee calculated based on the number of Ahsay™ Backup Software to be under our maintenance and the unit rate for maintenance of the relevant Ahsay™ Backup Software. The pricing depends on factors such as our costs of providing our maintenance services and the prevailing market rate.

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## BUSINESS

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### Pricing policy

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#### **Other services**

We offer services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. We generally charge our customers on a fixed unit price basis for such services. For instance, the Rebranding Option is subject to an one-off fixed fee of US\$500 (approximately HK\$3,900) for each customer who intends to sell our Ahsay™ Backup Software under its own brand name. The pricing depends on factors such as the scope and complexity of the services, expected number of required man-hours and the prevailing market rate. Our customers generally place orders with us through the Internet on our sales websites.

#### **Sale of hardware devices**

We sell hardware to our Hong Kong customers. We generally charge our customers on a fixed price basis, depending on the specifications of the hardware devices and Ahsay™ Backup Software purchased by our customers. The pricing depends on factors such as the costs of the hardware devices, the costs of our Ahsay™ Backup Software to be installed, our costs of installing our Ahsay™ Backup Software, testing and providing related services and the prevailing market rate. The target customers are SMEs or individual end-users located in Hong Kong. Such hardware devices are not available to overseas customers as specific modification and configuration are needed for each customer. As such, our sale of hardware devices is not conducted through the Internet on our sales websites, and our Hong Kong customers for our sale of hardware devices are approached by our sales representatives.





While our Directors believe that the prices of our products are generally competitive, we do not consider price as our customers' only consideration when making decisions to purchase, lease and/or order. Our Directors believe that other factors are also considered by our customers in making their decisions to purchase, lease and/or order, including but not limited to: (i) quality of our products and services; (ii) technological advancement; and (iii) stable and good business relationships with us.

#### **Our Loyalty Programme**

In order to show appreciation to our loyal customers, we have in place a customer loyalty programme, under which our customers who reach an annual transaction amount of more than US\$3,000 (approximately HK\$23,400) (including fees for our software licence sales and leasing and our software upgrades and maintenance services paid during the relevant year) or have been in business relationships with us for at least three years, are qualified as our "Loyalty Programme Partners" and are entitled to a discount of 5% to 20% to the prices of our software licence sales and leasing, software upgrades and maintenance services and other services. As at 31 March 2015, we had more than 5,900 Loyalty Programme Partners.

## BUSINESS

The following table sets forth a summary of our customer loyalty programme:

Loyalty status	Requirements	Discount rate
	<ul style="list-style-type: none"> <li>• Having three to seven years' business relationship with our Group; or</li> <li>• annual transaction amount with our Group is between US\$3,000 (approximately HK\$23,400) to US\$50,000 (approximately HK\$390,000) (both amounts inclusive)</li> </ul>	5%
	<ul style="list-style-type: none"> <li>• Having more than seven years' business relationship with our Group; or</li> <li>• annual transaction amount with our Group is between US\$50,001 (approximately HK\$390,007) to US\$80,000 (approximately HK\$624,000) (both amounts inclusive)</li> </ul>	10%
	<ul style="list-style-type: none"> <li>• Annual transaction amount with our Group is between US\$80,001 (approximately HK\$624,007) to US\$120,000 (approximately HK\$936,000) (both amounts inclusive)</li> </ul>	15%
	<ul style="list-style-type: none"> <li>• Annual transaction amount with our Group is more than US\$120,000 (approximately HK\$936,000)</li> </ul>	20%

### Credit policy and payment methods

Our customers are generally required to pay through credit cards at our sales websites, bank transfers or cheques. We adopt prudent credit control procedures.

Apart from customers who lease our Ahsay™ Backup Software and settle their payments to us on a monthly basis, our customers are generally required to make full payment upon ordering our backup software products through our sales websites and confirming the scope of our services, and we generally do not provide credit terms to our customers.

In relation to our customers who lease our Ahsay™ Backup Software and settle their payments to us on a monthly basis, we generally grant them a credit term of 30 days. Generally, we issue bills to such customers in respect of the monthly payments for the previous month on the 15<sup>th</sup> of each month, and require our customers to settle the monthly payments within 14 days after the issuance of our bills. If our bills are not settled in full within the 14-day period, we generally cease to allow further access to our Ahsay™ Backup Software to the customers shortly after the defaults in payment, and customers using our Ahsay™ Backup Software to backup their data will not be able to access their backup data. In addition, we generally require new customers to pay a fixed amount of deposits to us before allowing them access to our Ahsay™ Backup Software.

The prices of our products and services as shown on our sales websites are denominated in US dollar and our bills are denominated in Hong Kong dollar (with reference prices shown in US dollar).

Our sales team members are responsible for monitoring subsequent settlement of our receivables from time to time. All of our trade receivables were neither past due nor impaired as at 31 December 2013, 31 December 2014 and 31 March 2015.

### Marketing

We believe that our marketing activities are geared towards keeping abreast of market trends, exploring new markets, interacting with existing and potential customers and building brand

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## BUSINESS

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awareness. Our sales team also engages in marketing activities by managing the needs of existing customers to maintain customer relationships and identify potential development targets, taking into consideration various factors such as feedback of existing customers and market analysis.

We work closely with our customers to obtain their feedback and identify future product needs and preferences. We establish priorities for new software development by reviewing feedbacks from our customers.

We place advertisements on print media (such as magazines) and digital media (such as social media platforms and search engines), conduct digital marketing to target customers, and update our sales websites from time to time. We took these opportunities to keep abreast of market developments and trends in the backup software industry, to promote our products and to meet potential customers.

### **Seasonality**

For our software licence sales and our software upgrades and maintenance services, we usually record higher revenue in the fourth quarter of a year. To the best of the knowledge of our Directors, our customers are inclined to spend their unused annual budget before the end of the year or make purchases before the end of the year in order to plan ahead for the next year. In addition, we usually organise annual year-end promotion and offer year-end discounts to encourage customers' consumption. For the year ended 31 December 2013 and the year ended 31 December 2014, our revenue from software licence sales and our software upgrades and maintenance services in the fourth quarter of the year represented over 33.3% of our annual revenue from software licence sales and our software upgrades and maintenance services. On the other hand, our software licence leasing, other services and sale of hardware devices are normally not subject to seasonality changes.

### **SERVICE PROVIDERS AND VENDORS**

Our Directors have confirmed that our Group did not have any supplier of goods or services which was specific to our Group's business and which was required by our Group on a regular basis to enable our Group to continue to supply or service our customers during the Track Record Period. However, we had three major types of third-party services providers or vendors, namely payment vendors, translation service providers and vendors for hardware devices.

#### **Payment vendors**

Our payment vendors are Independent Third Parties, who act as a gateway between our customers and us in that our customers would first make payments to the payment vendors for their orders made online. For the years ended 31 December 2013 and 31 December 2014 and the three months ended 31 March 2015, our payment gateway cost captured as other expenses amounted to approximately HK\$1.2 million, HK\$1.2 million and HK\$275,000, respectively. Most of the agreements with our payment vendors were on a continuing basis. Pursuant to the agreements with our payment vendors, we pay service fees to them at agreed rates of an average of 3% based on the proceeds received from our customers who make payments online. The agreements may be terminated by either our payment vendors or us. Under most of the agreements with our payment vendors, either party can terminate the agreements upon serving prior notice, ranging from 7 days to 30 days, to the other party. For a discussion about the risks related to our payment vendors, please see "Risk Factors – Risks Relating to Our Group – We are subject to risks relating to our third-party online payment vendors".

#### **Translation service providers**

During the Track Record Period, third-party translation service providers were involved in the provision of translation services to certain localised versions of our Ahsay™ Backup Software to assist



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## BUSINESS

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us to adapt our products to suit local preferences. During the Track Record Period, all of our translation service providers were our customers. We granted the rights to translate our Ahsay™ Backup Software into languages such as Danish, German, Hebrew, Spanish, French and Swedish to some of our customers on a case-by-case basis, and, in return, such customers were eligible for discounts on purchase price and monthly rate of our Ahsay™ Backup Software and on our software upgrade and maintenance fees. Pursuant to the relevant translator agreements with such customers, which, in general, are valid for a period ranging from 9 months to 21 months, the localised versions of our Ahsay™ Backup Software are fully owned by us. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the discounts we offered to our customers who translated our Ahsay™ Backup Software amounted to approximately HK\$562,000, HK\$361,000 and HK\$445,000, respectively.

For a discussion about the risks related to our translation service providers, please see “Risk Factors — Risks Relating to Our Group — Quality of the translation services provided by third parties engaged by us or our customers is not under our control”.

### **Vendors for hardware devices**

During the Track Record Period, we procured hardware devices for our business of sale of hardware devices. We generally do not keep any inventory and only place orders with vendors upon confirmation of orders from our customers on a back-to-back basis. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the purchase cost of hardware devices were reflected in our cost of inventory sold which amounted to approximately HK\$189,000, HK\$143,000 and HK\$10,000, respectively.



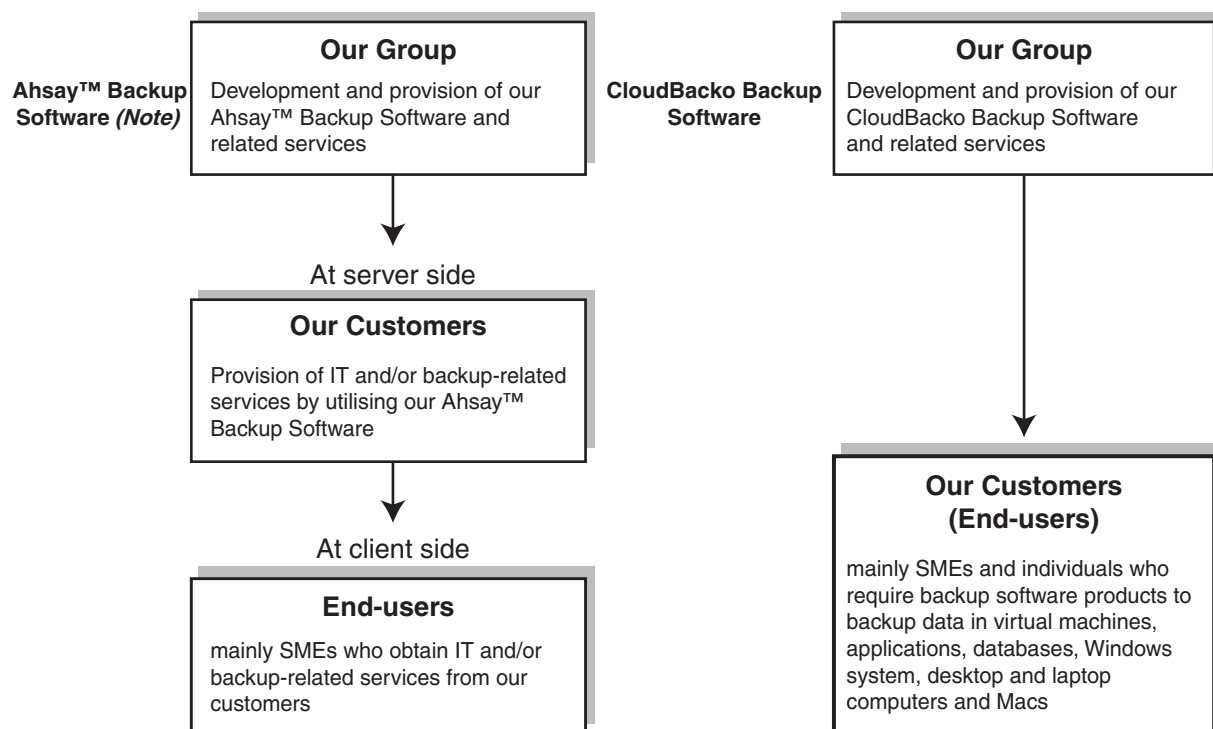
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## BUSINESS

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### CUSTOMERS

During the Track Record Period, we had a globally diversified customer base and were not dependent on any single customer. Through our direct sales via the Internet on our sales websites, we sold our backup software products to over 4,000 customers from over 75 countries worldwide during the Track Record Period. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. Our customers in relation to our Ahsay™ Backup Software include IT consultants, web hosting companies, telecommunications companies and MSPs, while our target customers in relation to our CloudBacko Backup Software are end-users. The following diagrams set forth (i) the typical relationships between our Group and our customers and between our customers and the end-users in relation to our Ahsay™ Backup Software; and (ii) the relationship between our Group and our customers who are end-users of our CloudBacko Backup Software, respectively:



*Note:* To the best knowledge and information of our Directors, while most of our customers provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, some of our customers are end-users of our Ahsay™ Backup Software.

Our major backup software product, Ahsay™ Backup Software, is rebrandable, while our new backup software product, CloudBacko Backup Software, which is targeted at end-users, is not rebrandable.

Save for enquiries from our customers on the operation of our backup software products, which are, in the opinion of our Directors, typical to our business and any software developers, there was no customer's complaint that led to product recall during the Track Record Period and up to the Latest Practicable Date. Our Directors confirmed that our Group had no material dispute with our customers during the Track Record Period. During the Track Record Period, our Group had not experienced any major disruption of business due to material delay or default of payment by our customers due to their financial difficulties.

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## BUSINESS

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### Major customers

We have a broad customer base and low customer concentration. Our five largest customers for each of the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 are MSP, web hosting company or supply chain management service provider. While one of our five largest customers for the three months ended 31 March 2015 commenced business relationship with us in 2015, we have established business relationships with our five largest customers during the Track Record Period ranging from 3 to 9 years. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our five largest customers accounted for approximately 8.4%, 8.6% and 7.8%, respectively, of our total revenue, while the largest customer accounted for 3.1%, 2.7% and 3.0%, respectively, of our total revenue for the same periods.

None of our Directors, their close associates or any Shareholder (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our five largest customers during the Track Record Period. Our Directors further confirmed that they are not aware of any material financial difficulty experienced by any of our major customers that may materially affect our Group's business.

### Customer service and support

Our customer service and support team is experienced and well-trained to provide all dimensional customer service and support, including email support, remote troubleshoot, support to our customers in relation to installation, configuration, software upgrade and rebranding, consultation and training. Most of our staff had received tertiary education or above in areas such as computer science, information technology, engineering, business administration, marketing and accounting.

### SALES IN RUSSIA, CONGO, THE BALKANS, EGYPT, NIGERIA AND VENEZUELA

Certain countries or organisations, including the US, the EU, the United Nations and Australia, have comprehensive or other broad economic sanctions targeting the Sanctioned Countries and with Sanctioned Persons.

#### Sales to Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela

We generate revenue from our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela, each of which jurisdictions is subject to certain international sanctions prohibiting dealing with persons on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia. The amount of total revenue generated from sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 accounted for approximately 0.16%, 0.18% and 0.17% of our total revenue for the same periods, respectively. As advised by DLA Piper Hong Kong, our legal adviser as to International Sanctions laws, based on the following procedures conducted by them, our historical business activities in connection with customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period do not implicate the application of International Sanctions laws on our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC and HKSCC Nominees:

- (a) reviewing documents provided by us that evidence our completed and potential sales transactions to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period;
- (b) receiving written confirmation from us that neither our Group nor any of our affiliates has conducted during the Track Record Period any business dealings in or with any other countries or persons that are subject to International Sanctions; and

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## BUSINESS

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- (c) reviewing the list of customers to whom such sales of products have been made during the Track Record Period against the lists of persons and organisations subject to International Sanctions, and confirming that none of our customers are on such lists.

In relation to our sales to customers in Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela during the Track Record Period, we have not been notified that any sanctions will be imposed on us. None of the contracting parties are specifically identified on the Specially Designated Nationals and Blocked Persons List maintained by OFAC or other restricted parties lists maintained by the EU, the United Nations or Australia and therefore would not be deemed as sanctioned targets. Further, our sales do not involve industries or sectors that are currently subject to specific sanctions by the US, the EU, the United Nations or Australia and therefore are not deemed to be prohibited activities under the relevant sanctions laws and regulations. Our Directors undertake not to enter into prohibited activities under the relevant sanctions laws and regulations that would expose our Group, or any person or entity, including our Group's investors, our Shareholders, the Stock Exchange, HKSCC or HKSCC nominees to risk of being sanctioned. Our Directors believe with the implementation of internal control measures mentioned below, no sales can take place to Russia, Congo, the Balkans, Egypt, Nigeria and Venezuela after Listing.

### **Our undertakings and internal control procedures**

We undertake to the Stock Exchange that we will not use the proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the US, the EU, the United Nations or Australia, including, without limitation, any government, individual or entity that is subject to any OFAC-administered sanctions. In addition we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees or our Shareholders to violate or become a target of sanctions laws of the US, the EU, the United Nations or Australia. We will also disclose on the respective websites of the Stock Exchange and our Group if we believe that the transactions our Group entered into in the Sanctioned Countries or with Sanctioned Persons would put our Group or our Shareholders and investors to risks of being sanctioned, and in our annual reports or interim reports our efforts on monitoring our business exposure to sanctions risk, the status of future business, if any, in the Sanctioned Countries and with Sanctioned Persons and our business intention relating to the Sanctioned Countries and with Sanctioned Persons. If we breach such undertakings to the Stock Exchange, we risk the possible delisting of our Shares on the Stock Exchange.

We will continuously monitor and evaluate our business and take measures to protect the interest of our Group and our Shareholders. The following measures have been fully implemented as of the date of this prospectus:

- to further enhance our existing internal risk management functions, our Board has established a risk management committee. The members of such committee comprise Mr. Schubert Chong, Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man and their responsibilities include, among others, monitoring our exposure to International Sanctions risks and our implementation of the related internal control procedures. Our risk management committee will hold at least two meetings each year to monitor our exposure to International Sanctions risks;
- we will evaluate the International Sanctions risks prior to determining whether we should embark on any business opportunities in the Sanctioned Countries and with Sanctioned Persons. Our Company has implemented the following measures to prevent sales to Sanctioned Countries or Sanctioned Persons: we will (i) keep current and up-to-date with the list of Sanctioned Countries and Sanctioned Persons, with assistance of external legal counsel, where necessary, and disseminate such list to all relevant teams (including but not limited to our sales and marketing team and customer service and support team) on a

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## BUSINESS

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regular basis to promote staff awareness in general and to facilitate effective monitoring of sanction laws by various business and support teams; and (ii) make adjustments to our sales websites where our customers place product orders online, so that any attempt to submit a purchase or leasing order from a location within any Sanctioned Country will be rejected by our system. Our Directors believe that with such measures in place, no sales can take place to a location within any Sanctioned Country or any Sanctioned Person. In addition, our sales staff will also double check the name and address in any submitted order to confirm the customer is not on any list of Sanctioned Persons maintained by OFAC or other sanctioning authorities. If any issues are identified by our sales team, they will escalate the matter to our risk management committee. If our risk management committee determines that there is any sanctions risk, then the sale will not proceed. Finally, in case any issues are identified after a sale has been made or a product has been leased, we will fully refund to the customer the purchase price of the backup software products, and terminate their access by stopping the licence key associated with their product. If any potential International Sanctions risk is identified, we will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters. Our Directors believe that the measures we are implementing will prevent any sales to Sanctioned Countries and Sanctioned Persons, notwithstanding that the proceeds from the Placing will be used for R&D and product development which will be sold worldwide. We will not use any of the proceeds from the Placing to purchase any goods or services from any Sanctioned Persons or from any Sanctioned Countries.

- in order to ensure our compliance with those undertakings to the Stock Exchange, our Directors will continuously monitor the use of proceeds from the Placing, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, the Sanctioned Countries or Sanctioned Persons;
- the risk management committee will periodically review our internal control policies and procedures with respect to International Sanctions matters. As and when the risk management committee considers necessary, we will retain external international legal counsel with necessary expertise and experience in International Sanctions matters for recommendations and advice; and
- if necessary, external international legal counsel will provide training programmes relating to the sanctions laws to our Directors, our senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in our daily operations. Our external international legal counsel will provide current list of Sanctioned Countries and Sanctioned Persons to our Directors, senior management and other relevant personnel, who will in turn disseminate such information throughout our domestic operations and overseas offices and branches.

Our Directors are of the view that these measures will provide a reasonably adequate and effective framework to assist us in identifying and monitoring any material risk relating to International Sanctions laws. Subject to the full implementation and enforcement of these measures, the Sole Sponsor is of the view that these measures will provide a reasonably adequate and effective framework to assist our Group in identifying and monitoring any material risk relating to International Sanctions laws.

### INVENTORY MANAGEMENT

During the Track Record Period, our inventory mainly consisted of hardware devices, which we procured for our business of sale of hardware devices. Due to the nature of our business, we generally do not keep any inventory and only place orders with vendors upon confirmation of orders from our customers on a back-to-back basis. Normally, delivery of our orders takes place within 30

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## BUSINESS

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days after the vendor's confirmation of our purchase orders. Hardware devices purchased are usually delivered to our customers directly by our vendors.

### SOFTWARE DEVELOPMENT

Our Directors consider software development as a key driver of our business growth, as we serve markets characterised by changing technology, shifting user needs and frequent software product introductions and enhancements, and we develop all of our backup software products in-house. We place great emphasis on developing and improving our backup software products in order to remain competitive in the ever-changing software and IT industry. We have released various versions of our Ahsay™ Backup Software and three editions of our CloudBacko Backup Software and will continuously upgrade our applications to improve their functionality, content and usability.

As at 31 March 2015, our software development team, a sub-team of our R&D team, comprised 17 members with more than half of the team members possessing relevant industry experience ranging from 5 to 14 years. Our R&D team has good knowledge of Windows, Linux, networking skills, database servers, VMware and Hyper-V virtual machine technology and business applications such as Microsoft Exchange, and it is experienced in software programming and cloud technologies.

The average timeframe for developing a backup software is usually around nine months. In order to stay competitive and to reduce time to market, we intend to apply part of the net proceeds from the Placing for expanding our R&D team. For details, please refer to the section headed "Business Objectives and Future Plans" of this prospectus.

### QUALITY ASSURANCE

As at 31 March 2015, our quality assurance team, a sub-team of our R&D team, comprised 5 members with more than half of the team members possessing relevant industry experience ranging from over four to nine years. Our quality assurance team meets regularly to discuss any potential or identified issues in relation to proposed changes to our backup software products, bug fixes or upcoming new software features to ensure (i) we are able to meet our customers' requirements; (ii) smooth transitions after each changes made to our backup software products; and (iii) compatibility of our backup software products with the latest versions of operating systems and server applications.

Our Directors believe that our financial results and profits depend on our ability to meet our customers' requirements. We devote significant efforts to ensure our products and services meet our customers' requirements. We provide training on quality assurance standards for our employees to ensure that they are familiar with the quality assurance procedures. We formed our quality assurance team in 2010 to continuously improve the quality of our backup software products. Our quality assurance team is mainly responsible for (i) validating individual proposed changes to our backup software products and analysing the extent and impact of such changes to the entire system of our backup software products; (ii) preparing testing specification document to define the testing scope for new features for each software product release; (iii) following up with our software development team on the expected behaviour and requirement of new software features; and (iv) perform compatibility test of our backup software products with newer versions of operating systems and server applications, such that the quality of our backup software products can be assured before each official software release to our customers.

### MAJOR QUALIFICATIONS, LICENCES AND PERMITS

#### Hong Kong

Our Directors confirmed that our Hong Kong subsidiaries are not required to obtain any industry-specific qualification, licence or permit for carrying out our backup software business in Hong Kong.

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## BUSINESS

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### PRC

As confirmed by our PRC legal advisers, Commerce & Finance Law Offices, Ahsay CQ is not required to obtain any industry-specific qualification, licence or permit for carrying out our backup software business in the PRC.

### MAJOR AWARDS, CERTIFICATIONS AND ACCREDITATIONS

The following table sets out the major awards, certifications and accreditations we had received as at the Latest Practicable Date:

Year awarded / Valid period	Award / Certification / Accreditation	Award authority / Certification body / Accrediting body
2007 – 2008	Microsoft Certified Partner	Microsoft Corporation
2008 – 2009	Microsoft Gold Certified Partner	Microsoft Corporation
2009 – 2010	Microsoft Gold Certified Partner	Microsoft Corporation
2010	Biz IT Excellence, Appreciation of Outstanding Performance (Manufacture)	PC Market <sup>(Note 1)</sup>
2010 – 2011	Microsoft Gold Certified Partner	Microsoft Corporation
2011	Membership Certificate	The Chamber of Hong Kong Computer Industry
2011	Certificate of Merit, Best Business Product	Hong Kong ICT Awards 2011 <sup>(Note 2)</sup>
2011 – 2012	Microsoft Silver Competency Partner	Microsoft Corporation
2012	Dell™ Preferred Partner	Dell Inc.
2012 – 2013	Microsoft Gold Competency Partner	Microsoft Corporation
2013	Supplier of the Year 2013	Cloud2 B.V. <sup>(Note 3)</sup>
2013 – 2014	Microsoft Gold Competency Partner	Microsoft Corporation
2014 – 2015	Microsoft Gold Competency Partner	Microsoft Corporation
2015 – 2016	Microsoft Gold Competency Partner	Microsoft Corporation

Notes:

(1) PC Market is a professional IT magazine in Hong Kong offering IT industry news and information on computer and digital products.

(2) The Hong Kong ICT Awards aims at recognising and promoting outstanding information and communications technology (ICT) solutions and applications, thereby encouraging innovation and excellence among Hong Kong's ICT talents and enterprises in their constant pursuit for creative and better solutions to meet business and social needs.

(3) Cloud2 B.V. is a company based in Alkmaar, the Netherlands that specialises in backup and disaster recovery services.



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## BUSINESS

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### INTELLECTUAL PROPERTY

Our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property are critical to our business operations. We are the registered owner of the trademark “AHSAY” in Hong Kong, the PRC, the EU and the US. In addition, we are the registered owner of the trademarks “CloudBacko” and “CB” in Hong Kong, the PRC and the EU. As at the Latest Practicable Date, we had two, two and three trademark applications pending in the PRC, the US and Canada, respectively. As at the Latest Practicable Date, we had also registered a number of domain names, including but not limited to ahsay.com, ahsay.com.hk, cloudbacko.com, cloudbacko.biz, cloudbacko.co and cloudbacko.co.uk. Detailed information of our intellectual property rights is set out in the section headed “Statutory and General Information — B. Further Information about the Business of our Group — 2. Intellectual property rights of our Group” in Appendix IV to this prospectus.

Since the commencement of our business, our backup software products have been developed in Hong Kong and the copyrights in our backup software products have been owned by Ahsay HK. We implement measures to protect our intellectual properties in addition to making trademark registration applications in our target markets. While we actively take steps to protect our intellectual property rights, circumstances outside our control could pose a threat to our intellectual property rights. Measures we have taken may not be adequate to prevent the infringement or misappropriation of our intellectual property. Also, we cannot be certain that our products and services do not or will not infringe valid copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others. For the risks in relation to intellectual property which we may be subject to, please refer to the sections headed “Risk Factors — Risks Relating to Our Group — Any failure to protect our intellectual property rights could reduce the value of our products, services and brands”, “Risk Factors — Risks Relating to Our Group — We cannot be certain that our business operations do not or will not infringe any valid copyrights or other intellectual property rights held by third parties” and “Risk Factors — Risks Relating to Our Group — We are exposed to programme source code storage risk” in this prospectus.

During the Track Record Period, we were not involved in any dispute or infringement of intellectual property rights. As at the Latest Practicable Date, we were not aware of any material infringement (i) by our Group of any intellectual property rights owned by any third parties, or (ii) by any third party of any intellectual property rights owned by us, that would constitute material adverse impact to our operations.

### EMPLOYEES

As at 31 March 2015 and the Latest Practicable Date, we had 57 and 59 full-time employees in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we did not employ any employees in the PRC. A breakdown of our employees by function as at 31 March 2015 and the Latest Practicable Date is set forth below:

<u>Function</u>	<u>As at 31 March 2015</u>	<u>As at the Latest Practicable Date</u>
Management .....	4	4
R&D		
Software development .....	17	18
Quality assurance .....	5	6
Customer service and support .....	9	9
Sales and marketing .....	9	10
Administration, human resources and finance .....	13	12
<b>Total:</b> .....	<u>57</u>	<u>59</u>



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## BUSINESS

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We generally recruit our employees from the open market and through referrals from our employees. We enter into employment contracts with our employees and offer competitive remuneration packages to our employees. In addition to salaries, our employees who are retained after probation period are entitled to bonuses based on the performance of individual employees as well as the performance of our Group. We also provide a defined contribution to the Mandatory Provident Fund (“MPF”) as required under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for our eligible employees in Hong Kong.

We incurred employee benefit expenses (including salaries, performance bonuses, directors’ fees, MPF contributions, directors’ quarters and staff welfare related expenses) of approximately HK\$34.0 million, HK\$30.9 million and HK\$7.9 million for the year ended 31 December 2013, the year ended 31 December 2014 and the three months ended 31 March 2015, respectively. We regularly review the performance of our employees and make reference to such performance reviews in determining our employees’ discretionary bonus, and our salary review and promotional appraisal in order to attract and retain talented employees.

We maintain good working relationship with our employees. There had not been any labour strike within our Group during the Track Record Period and up to the Latest Practicable Date. In order to promote overall efficiency, employee loyalty and retention, we provide our employees with technical and operational on-job training and promotion prospects.

### **ENVIRONMENTAL, HEALTH AND WORK SAFETY MATTERS**

Our Directors believe that the backup software industry in which we operate does not involve substantial risks relating to environmental, health and work safety matters. During the Track Record Period, we were in compliance with all environmental, health and work safety laws and regulations applicable to us in all material respects.

### **SOCIAL MATTERS AND INSURANCE**

With the commitment to being a socially responsible corporation, we are dedicated to develop and implement sustainably good corporate policies in areas including staff management and development as well as occupational health and safety.

For our Hong Kong employees, we maintain employees’ compensation insurance in compliance with the Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) to cover compensation and costs liable by our Group for personal injuries of our employees in Hong Kong in the course of employment with us. We also maintained public liability insurance and fire insurance for our office premises in Hong Kong. The fire insurance policy mainly covers damages to our office premises in Hong Kong resulting from fire.

Our Directors consider that our insurance coverage is adequate and sufficient. We do not maintain business liability or interruption insurance, which, to the best knowledge of our Directors, is in line with the industry norm in Hong Kong. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damage to our uninsured equipment or facilities could have a material adverse effect on our results of operations. For details, please refer to “Risk Factors — Risks Relating to our Group — We are exposed to product liability risk and our insurance coverage may not adequately protect us against product liability” in this prospectus.

### **MARKET AND COMPETITION**

The global market for backup software products is highly competitive and subject to changing technology, shifting user needs and frequent introductions of new products and services. According to the Frost & Sullivan Report, the backup software industry is highly fragmented and we are accredited as a market leader in online backup software solutions targeted at SMEs worldwide.

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## BUSINESS

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Although the market entry barriers to the backup software industry are high, the market competition is expected to further increase. According to Frost & Sullivan, although public cloud storage service providers also provide backup software for users to back up their data to public cloud, such backup software generally provides basic backup features and is generally more suitable for personal and home users using desktop or laptop computers. Such software usually lacks many of the sophisticated features that are provided by leading backup software providers such as our Group, whose backup software is well capable of, amongst others, (i) supporting the backing up of various virtual machines and business applications; (ii) creating multiple backup sets for different backup sources; and (iii) providing flexible backup schedules for end-users. It costs much more for cloud storage providers to develop backup software that is comparable to our Group's backup software products than to purchase licences from our Group, not to mention the time required to develop backup software themselves and the uncertainties involved. Therefore, given the differences in target users and features provided, the cloud service providers have not formed sound threats to our Group's market position.

Please refer to the section headed "Industry Overview" in this prospectus for an analysis of the global backup software market.

We intend to maintain our competitiveness over our competitors and strengthen our position as one of the market leaders in online backup software solutions targeted at SMEs worldwide through strengthening and developing our competitive strengths. Our competitive strengths include the following:

- strong and innovative software development capabilities;
- all-in-one tri-multi built-in software design catering for the needs of our customers and the end-users;
- well-established business relationships with our customers and a proven track record;
- worldwide customer base; and
- experienced and visionary senior management team.

Details of our Group's competitive strengths are set out in the sub-section headed "Our Competitive Strengths" above in this section.

### PROPERTIES

#### Hong Kong

As at the Latest Practicable Date, we leased from a connected person of our Company car parking space number P5 on the 2nd Floor and 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 we use as our office premises and our principal place of business. For details, please refer to the section headed "Connected Transactions" in this prospectus.

#### PRC

As at the Latest Practicable Date, we occupied one property in the PRC with a gross floor area of approximately 58.23 square metres which was provided by Mr. Cai Zhigang (蔡志剛) ("Mr. Cai"), an Independent Third Party, at no costs pursuant to an agreement between the parties, as the registered office of our sole subsidiary in the PRC, Ahsay CQ. During the Track Record Period and up to the Latest Practicable Date, Ahsay CQ did not have any employee. To the best knowledge and information of our Directors, Mr. Cai is currently a businessman. Mr. Chong King Fan, the chairman of

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## BUSINESS

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our Board and an executive Director, became acquainted with Mr. Cai about 20 years ago when Mr. Chong King Fan was operating a trading business in chemical products and Mr. Cai was a supplier for chemical products. As our Group has minimal operation in the PRC, our Group is utilising only a portion of the office premises provided by Mr. Cai. After negotiation with Mr. Cai, Mr. Cai agreed to provide such property to our Group at no costs. As at the Latest Practicable Date, Mr. Cai had obtained the relevant building ownership certificate. Our PRC legal advisers, Commerce & Finance Law Offices, are of the view that the agreement is valid and legally binding on each party, and is not subject to the recordation requirement under Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》).

### Property valuation

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets, and on this basis, we are not required by Rule 8.01A of the GEM Listing Rules to include in this prospectus any valuation report. Pursuant to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

### RISK MANAGEMENT, INTERNAL CONTROL AND CORPORATE GOVERNANCE

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. Details on risk categories identified by our management, reporting and disclosure mechanism, remedial measures and contingency management have been codified in our policies and adopted by us or will be adopted by us upon the Listing. For details of the major risks identified by our management, please refer to the section headed “Risk Factors” in this prospectus.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Listing, we have adopted or will adopt, among other things, the following corporate governance and internal control measures:

- Protection and backup of source code of our backup software products. In order to avoid any leakage of source code, we require our employees responsible for the backup and management protection of source code to sign specific confidentiality agreement to ensure information safety. As an online backup software developer, we will continue to improve our backup system to shorten the backup time and enhance the system’s reliability.
- Protection of software. A licence key gives customers access to our backup software products and prevents theft and unauthorised use of our backup software products.
- Maintenance of several servers. In order to ensure smooth running of our business, we maintain servers in Hong Kong, the United States, the United Kingdom and the PRC.
- Protection of our sales websites. During the Track Record Period, substantially all of our backup software products and services were sold to or ordered by our customers through the Internet on our sales websites. The contents of our sales websites are hosted in the United States. Customers who wish to conduct sales through our sales websites will be directed to our payment webpages hosted in our principal place of business in Hong Kong with sales processing and payment functions. We have implemented measures to monitor our sales websites and our payment webpages. Our systems automatically (i) monitor our sales websites and our payment webpages to ensure that they are operating; and (ii) check the connections between our databases and our payment webpages. In the event that our

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## BUSINESS

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sales websites and our payment webpages are interrupted continuously for about 20 minutes, our staff will be notified by both text messages and e-mails, after which the interruption will be investigated and corrected within 30 minutes to 24 hours depending on the severity of the interruption. The content of our sales websites and data collected on our payment webpages are saved on two separate servers at the same time and are backed up on a daily basis. During the Track Record Period, we did not encounter any interruption to our sales websites and our payment webpages. Since we closely monitor the operation of our sales websites and payment webpages, our Directors are of the view that the chance of interruptions to our sales websites and our payment webpages is remote. In the event that our payment webpages are interrupted, our Directors are of the view that our staff is capable resuming operations of our payment webpages within a short period of time given that they are hosted in our principal place of business in Hong Kong.

- Protection of customer data. In our backup software business, we retain limited customer information provided to us during licence purchase or leasing, or software registration. We use encryption and segregate customer information to prevent data leakage. We also use physical security procedures to protect and limit access and use of customer information.
- The establishment of an audit committee responsible for overseeing the financial records, internal control procedures and risk management systems of our Company.
- The appointment of Mr. Schubert Chong as our compliance officer, and Mr. Bosco Chong as the financial director and company secretary of our Company to ensure the compliance of our operation with the relevant laws and regulations. For their biographical details, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus.
- The appointment of V Baron Global Financial Services Limited as our compliance adviser upon the Listing to advise us on compliance with the GEM Listing Rules.
- The engagement of external legal advisers to advise us on compliance with the GEM Listing Rules and to ensure we will not be in breach of any relevant regulatory requirements or applicable laws, where necessary.

### LEGAL PROCEEDINGS AND COMPLIANCE

#### Claims settled, pending or threatened against our Group

During the Track Record Period and as at the Latest Practicable Date, save as disclosed below, no member of our Group was engaged in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group.

#### Regulatory compliance

Save as disclosed below, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable laws and regulations in Hong Kong and the PRC in all material respects.

#### Non-compliance with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance

As at the Latest Practicable Date, our Directors were aware of 16 incidents of non-compliance of our Group with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance. As advised by the HK Legal Counsel, the relevant members of our Group are not liable for prosecution for any non-compliance incidents which took place more than three years

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## BUSINESS

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after the commission of the offences by virtue of section 351A of the Predecessor Companies Ordinance or section 900 of the Companies Ordinance. As 10 of the above-mentioned non-compliance incidents were time-barred by section 351A of the Predecessor Companies Ordinance or section 900 of the Companies Ordinance, only 6 out of the 16 incidents of non-compliance may be liable for prosecution, details of which are set out below:

<u>Member(s) of our Group/ Year(s) of non-compliance(s)</u>	<u>Non-compliance incident</u>	<u>Reason(s) for the non-compliance</u>	<u>Remedial action</u>	<u>Estimated/actual fine/penalty</u>
Ahsay HK/2013	Failure to file statement of particulars of subsidiaries within the prescribed time limit, in breach of section 128(5A) of the Predecessor Companies Ordinance.	The omission was unintentional and due to the inadvertent oversight of the administrative staff responsible for handling the secretarial matters.	Ahsay HK subsequently filed the statement of particulars of subsidiaries on 2 June 2015.	Under section 128(6) of the Predecessor Companies Ordinance, the company and every officer of the company who is in default shall be liable to a fine of \$100,000 and, for continued default, to a daily default fine of HK\$300.
Ahsay HK/2014	Failure to file statement of particulars of subsidiaries within the prescribed time limit, in breach of section 128(5A) of the Predecessor Companies Ordinance.	As above.	As above.	As above.
Million Victory/2013	Failure to deliver a certified copy of articles of association as altered within the prescribed time limit, in breach of section 13 of the Predecessor Companies Ordinance.	As above.	Million Victory subsequently filed a certified copy of articles of association on 4 May 2015.	Under section 13(4) of the Predecessor Companies Ordinance, the company and every officer of the company who is in default shall be liable to a fine of HK\$10,000 and, for continued default, to a daily default fine of HK\$300.

## BUSINESS

<u>Member(s) of our Group/ Year(s) of non-compliance(s)</u>	<u>Non-compliance incident</u>	<u>Reason(s) for the non-compliance</u>	<u>Remedial action</u>	<u>Estimated/actual fine/penalty</u>
CloudBacko BVI/ 2014	Failure to apply for registration as a registered non-Hong Kong company within the prescribed time limit, in breach of section 776(1)(a), (2), (4) and (6) of the Companies Ordinance.	As above.	CloudBacko BVI subsequently filed the application for registration as a registered non-Hong Kong company on 25 March 2015.	On 24 August 2015, we received a summons issued by the Magistrates' Courts of Hong Kong alleging the contravention of sections 776(1)(a), 776(2), 776(4) and 776(6) of the Companies Ordinance by CloudBacko BVI. The hearing date for the summons has been fixed to take place on 18 November 2015. Under section 776(6) of the Companies Ordinance, the company, every responsible person of the company, and every agent of the company who authorises or permits the contravention is liable to a fine of HK\$50,000 and, for continued default, to a daily default fine of HK\$1,000.
CloudBacko BVI/ 2015	Failure to report the change of residential address of Ms. Monita Chong within the prescribed time limit, in breach of section 791(1) and (2) of the Companies Ordinance.	As above.	CloudBacko BVI subsequently delivered a return containing the particulars of the change to the Registrar for registration on 5 May 2015.	Under section 791(6) of the Companies Ordinance, the company, every responsible person of the company, and every agent of the company who authorises or permits the

## BUSINESS

Member(s) of our Group/ Year(s) of non-compliance(s)	Non-compliance incident	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
				contravention is liable to a fine of HK\$25,000 and, for continued default, to a daily default fine of HK\$700.
CloudBacko BVI/ 2014	Failure to file a business registration application within the prescribed time limit, in breach of section 5(2) and 15(1A) of the Business Registration Ordinance.	The omission was unintentional and due to the inadvertent oversight of the administrative staff responsible for supervision on secretarial matters.	CloudBacko BVI subsequently filed a notice to business registration office on 25 March 2015.	Under section 15(1A) of the Business Registration Ordinance, any person who fails to make a business registration application is liable to a fine of HK\$5,000 and to imprisonment for 1 year.

### Views of the HK Legal Counsel on the non-compliance with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance

Ahsay HK, Million Victory and CloudBacko BVI are not liable for prosecution for any non-compliance committed more than three years after the commission of the offences by virtue of section 351A of the Predecessor Companies Ordinance or section 900 of the Companies Ordinance. Therefore, only the following non-compliances are liable for prosecution:

Company	Non-compliance	Views of the HK Legal Counsel
<i>Failure to file statement of particulars of subsidiaries within the prescribed time limit, in breach of section 128(5A) of the Predecessor Companies Ordinance</i>		
Ahsay HK	Actual filing on 2 June 2015 after the deadline on 17 June 2013	The non-compliances are not very serious. The risk of prosecution is low. The HK Legal Counsel is of the view that a fine in the region of HK\$5,000 is reasonable in the event of conviction.
Ahsay HK	Actual filing on 2 June 2015 after the deadline on 13 June 2014	
<i>Failure to deliver a certified copy of Articles of Association as altered within the prescribed time limit, in breach of section 13 of the Predecessor Companies Ordinance</i>		
Million Victory	Actual filing on 4 May 2015 after the deadline on 20 June 2013.	The non-compliance is not very serious. The risk of prosecution is low. The HK Legal Counsel is of the view that a fine in the region of HK\$3,000 is reasonable in the event of conviction.



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## BUSINESS

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<u>Company</u>	<u>Non-compliance</u>	<u>Views of the HK Legal Counsel</u>
<i>Failure to apply for registration as a registered non-Hong Kong company within the prescribed time limit, contrary to in breach of section 776(1)(a), (2), (4) and (6) of the Companies Ordinance</i>		
CloudBacko BVI	Actual filing on 25 March 2015 after the deadline on 2 May 2014.	The non-compliance is not very serious. The HK Legal Counsel is of the view that a fine in the region of HK\$10,000 is reasonable in the event of conviction.
<i>Failure to report the change of residential address of a director within the prescribed time limit, contrary to in breach of section 791(1) and (2) of the Companies Ordinance</i>		
CloudBacko BVI	Actual filing on 5 May 2015 after the deadline on 3 May 2015.	The non-compliance is very trivial due to 2 days' lateness. The risk of prosecution is low. The HK Legal Counsel is of the view that a fine in the region of HK\$3,000 is reasonable in the event of conviction.
<i>Failure to file a business registration application within the prescribed time limit, in breach of section 5(2) and 15(1A) of the Business Registration Ordinance</i>		
CloudBacko BVI	Actual filing on 25 March 2015 after the deadline on 1 May 2014.	The non-compliance is not very serious. The risk of prosecution is low. In the event of prosecution, a fine in the region of HK\$2,000 is reasonable and the chance of imposing custody sentence on individual officer is minimal.

Despite that the aforesaid non-compliances are not time-barred by the limitation period of three years under section 351A of the Predecessor Companies Ordinance or section 900 of the Companies Ordinance and are thus liable for criminal prosecution, the HK Legal Counsel is of the opinion that the chance of imposition of the maximum penalty and fine is very remote. Given that the above non-compliances are minor in nature, the HK Legal Counsel is of the view that a modest fine is likely in the event of conviction.

### **Directors' view on the non-compliance with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance**

Given that the HK Legal Counsel opines that a modest fine is likely in the event of conviction, our Directors consider that such fine in total should have no significant impact on the financial information of our Group and thus no provisions are required to be made. Further, with reference to the HK Legal Counsel's advice, our Directors consider that the non-compliance events disclosed above will not have any material adverse impact on the operation or financial position or business of our Group.

### **The Sole Sponsor's view on non-compliance with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance**

The Sole Sponsor has carried out enquiries on the facts and circumstances leading to the non-compliance events and reviewed the relevant corporate governance measures adopted by our

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## BUSINESS

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Company, our Sole Sponsor has considered the internal control system of our Company and the remedial actions taken by our Group are adequate to prevent future recurrence of similar non-compliance incidents. Our Sole Sponsor is of the view that (i) the non-compliance events would not have any material adverse impact on our Group going forward; (ii) such events did not involve any dishonesty on the part of our Directors nor impugn their integrity or competence; and (iii) the non-compliance events do not affect the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules and the suitability for listing of our Company under Rule 11.06 of the GEM Listing Rules.

### **Internal Control Measures**

In order to continuously improve our corporate governance and to prevent recurrence of the non-compliance incidents, we intend to adopt or have adopted the following measures:

1. our Group has designated our chief executive officer, Mr. Schubert Chong, and our company secretary, Mr. Bosco Chong, to closely monitor the compliance of the Companies Ordinance and Business Registration Ordinance by members of our Group; and
2. with the assistance of our external legal advisers as to Hong Kong law, we aim to ensure that our Group's operations are in compliance with the applicable laws, rules and regulations.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

Upon the completion of the Placing and the Capitalisation Issue (without taking into account the Shares that may be allotted and issued upon exercise of options to be granted under the Share Option Scheme), our Company will be owned as to 75% by All Divine. All Divine is wholly-owned by Able Future which in turn is owned as to 40%, 30% and 30% by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, respectively. All Divine and Able Future are investment holding companies. Mrs. Chong is the spouse of Mr. Chong King Fan and the mother of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong. For more information relating to Mr. Chong King Fan, Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong, please see the section headed “Directors, Senior Management and Employees – Directors” in this prospectus.

### RULE 11.04 OF THE GEM LISTING RULES

Each of our Directors, our Controlling Shareholders, our substantial shareholders and their respective close associates does not have any interest in a business apart from our Group’s business which competes or may compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on our business independent of and without undue reliance on our Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

#### Management Independence

Our Company aims at establishing and maintaining a strong and independent Board to oversee our Group’s business. The main function of our Board includes the approval of our overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group.

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. Each of Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong is an executive Director.

Each of our Directors is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a director and his/her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum.

We have an independent management team, which is led by a team of senior management with substantial experience and expertise in our business, to implement our Group’s policies and strategies. Our Directors are satisfied that our senior management team will be able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing its business independently from our Controlling Shareholders and their respective close associates after the Listing.

#### Operational Independence

Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as vendors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their respective close associates.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Our Directors confirmed that our Group will not enter into any other transactions of similar nature with our connected persons and their close associates after the Listing that will affect our operational independence. Our Directors are of the view there is no operational dependence on our Controlling Shareholders and their respective close associates.

### **Financial Independence**

Our Group has our own accounting systems, accounting and finance personnel, independent treasury function for cash receipts and payment and we make financial decision according to our own business needs. Our accounting and finance personnel is responsible for financial reporting, liaising with our auditors, reviewing our cash position and negotiating and monitoring our bank loan facilities and drawdowns. Our Directors confirmed that, as at the Latest Practicable Date, none of our Controlling Shareholders or their respective close associates had provided any loans, guarantees or pledges to our Group. Our Directors also confirmed that, as at the Latest Practicable Date, our Group did not provide any loans, guarantees or pledges to our Controlling Shareholders or their respective close associates.

In view of our internal resources, our undrawn banking facilities of approximately HK\$30.8 million as at 31 July 2015, our net cash generated from operating activities of approximately HK\$1.4 million for the seven months ended 31 July 2015, our Group's total bank balances and cash of approximately HK\$40.3 million as at 31 July 2015 and the estimated net proceeds from the Placing, our Directors believe that our Group will have sufficient capital for its financial needs without dependence on our Controlling Shareholders and their respective close associates. Our Directors further believe that, upon the Listing, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders and their respective close associates.

### **Independence of Major Suppliers**

Our Directors have confirmed that our Group did not have any supplier of goods or services which was specific to our Group's business and which was required by our Group on a regular basis to enable our Group to continue to supply or service its customers during the Track Record Period.

### **Independence of Major Customers**

Our Directors confirmed that none of our Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

## **NON-COMPETITION UNDERTAKING**

Our Controlling Shareholders as covenantors (each a "Covenantor", collectively, the "Covenantors") executed the Deed of Non-Competition in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries).

In accordance with the Deed of Non-Competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on GEM; (ii) the date on which the Covenantors cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company:

### **1. Non-competition**

He/she/it will not, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "Controlled Persons") and any company directly or indirectly controlled by the Covenantor (the "Controlled Company") not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement,

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong, the PRC and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the provision of backup software products and services (the “Restricted Business”).

The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest not exceeding five per cent of the issued shares in any company conducting any Restricted Business (the “Relevant Company”), and the Relevant Company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Company or any of our subsidiaries, provided that (i) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time; and (ii) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company.

### **2. New business opportunity**

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity directly or indirectly to engage in or own a Restricted Business (the “New Business Opportunity”):

- (a) he/she/it shall within 10 days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/her/its Controlled Persons or Controlled Companies not to, invest or participate in any project and New Business Opportunity, unless such project and New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/her/its Controlled Persons or Controlled Companies invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (i) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “Non-acceptance Notice”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business and such decisions will be made by our Board (including our independent non-executive Directors). The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### 3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) in case of any actual or potential conflict of interest, abstain from attending and voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless their attendance is specifically requested by our non-interested Directors), and shall not be counted towards the quorum for such meeting;
- (b) as required by our Company, provide all information necessary for our independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to our Company by our Controlling Shareholders was not taken up;
- (d) ensure that our independent non-executive Directors shall make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of our Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules; and
- (e) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-Competition.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (a) the Stock Exchange granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

The Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group.

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## CONNECTED TRANSACTIONS

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### CONNECTED PERSONS

The following entities had entered into transaction(s) with our Group during the Track Record Period and/or are having and/or will have transaction(s) with our Group following the Listing, and will become connected persons of our Company under the GEM Listing Rules following the Listing:

1. Advantage AC&R — Advantage AC&R is owned as to 70% and 10%, respectively, by Million Trader and Rich Road, which are both associates of each of Mr. Scherring Chong and Mrs. Chong, our Controlling Shareholders. Hence, Advantage AC&R will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
2. Ahsay Corporation — Ahsay Corporation is owned as to approximately 99.9998% by Rich Road and Rich Road is in turn owned by Mr. Scherring Chong and Mrs. Chong, both being Controlling Shareholders, as to 50% and 50%, respectively. Hence, Ahsay Corporation, being an associate of each of Mr. Scherring Chong and Mrs. Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
3. Almega System Analyst Limited — Almega System Analyst 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, a non executive Director. Hence, Almega System Analyst Limited, being an associate of Ms. Monita Chong, is our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
4. Assets Sino HK — Assets Sino HK is indirectly owned by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, all being Controlling Shareholders, as to 40%, 30% and 30%, respectively. Hence, Assets Sino HK, being an associate of each of Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
5. Atlantic Sky Global (HK) Limited — Atlantic Sky Global (HK) Limited is indirectly owned by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, all being Controlling Shareholders, as to 40%, 30% and 30%, respectively. Hence, Atlantic Sky Global (HK) Limited, being an associate of each of Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
6. Commonwill Catering — Commonwill Catering is owned as to 60% by Mrs. Chong, our Controlling Shareholder. Hence, Commonwill Catering, being an associate of Mrs. Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
7. Commonwill Development — Commonwill Development is owned as to 70% by Rich Road and Rich Road is in turn owned by Mr. Scherring Chong and Mrs. Chong, both being Controlling Shareholders, as to 50% and 50%, respectively. Hence, Commonwill Development, being an associate of each of Mr. Scherring Chong and Mrs. Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
8. Million Glory — Million Glory is owned by Mrs. Chong and Mr. Schubert Chong, both being Controlling Shareholders, as to 50% and 50%, respectively. Hence, Million Glory, being an associate of each of Mrs. Chong and Mr. Schubert Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.
9. Million Trader — Million Trader is owned as to approximately 99.99997% by Rich Road and Rich Road is in turn owned by Mr. Scherring Chong and Mrs. Chong, both being Controlling Shareholders, as to 50% and 50%, respectively. Hence, Million Trader, being an associate of



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## CONNECTED TRANSACTIONS

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each of Mr. Scherring Chong and Mrs. Chong, will become our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.

10. Sau King — Sau King is owned as to 44% by Mr. Chong King Fan, an executive Director. Hence, Sau King, being an associate of Mr. Chong King Fan, is our connected person under Chapter 20 of the GEM Listing Rules upon the Listing.

### CONTINUING CONNECTED TRANSACTIONS

Our Company has entered into transactions with our connected persons in our ordinary and usual course of business, which will continue after the Listing and hence, upon the Listing, they will constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules. Our Directors confirm that the transactions set out in this section were carried out on normal commercial terms.

#### A. CONTINUING CONNECTED TRANSACTIONS FULLY EXEMPT FROM THE REPORTING, ANNOUNCEMENT, ANNUAL REVIEW AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Set out below is a summary of the continuing connected transaction of our Company, which is fully exempt from the reporting, announcement, annual review and independent Shareholders' approval requirements under Chapter 20.74(1) of the GEM Listing Rules.

##### ***Leasing of our Ahsay™ Backup Software by our Group to Almega System Analysts Limited***

Ahsay HK has been leasing, and will continue to lease following the Listing, our Ahsay™ Backup Software to Almega System Analyst Limited. The amounts we received from Almega System Analyst Limited were approximately HK\$5,145, HK\$4,547 and HK\$1,266 for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

As our Ahsay™ Backup Software have been and will continue to be leased by our Group to our connected person, following the Listing, on normal commercial terms which is no more favourable than those made available to customers of our Group which are Independent Third Parties, the leasing of our Ahsay™ Backup Software by our Group to such connected person will constitute a continuing connected transaction after the Listing.

As each of the applicable percentage ratios for the estimate annual amount receivable by our Group from Almega System Analyst Limited is less than 0.1%, this transaction will constitute *de minimus* continuing connected transactions exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Rule 20.74(1) of the GEM Listing Rules. Our Group will comply with the relevant requirements under Chapter 20 of the GEM Listing Rules when conducting such transaction.

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## CONNECTED TRANSACTIONS

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### B. NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Following the Listing, we will continue to have the following continuing connected transaction which will constitute a non-exempt continuing connected transaction under Chapter 20 of the GEM Listing Rules. Details of the transaction are as follows:

We, as tenant, have entered into the following tenancy agreement, which will continue after the Listing:

#### **The tenancy agreement in respect of the office premises (the “Office Premises Tenancy Agreement”)**

<b>Tenant</b>	Ahsay HK
<b>Landlord</b>	Assets Sino HK
<b>Location of properties</b>	Car parking space number P5 on the 2 <sup>nd</sup> floor and 28 <sup>th</sup> floor, Ford Glory Plaza, No.37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong (the “Office Premises”)
<b>Size of properties</b>	approximately 10,377 square feet (gross floor area “GFA”) <sup>Note 1</sup>
<b>Term</b>	25 June 2015 — 31 December 2017
<b>Annual rent payable</b>	HK\$2,817,600 <sup>Note 2</sup>
<b>Use of property</b>	Our principal place of business in Hong Kong

*Notes:*

- (1) The GFA does not include the size of car parking space number P5 on the 2<sup>nd</sup> floor of Ford Glory Plaza, No. 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong.
- (2) The rent is exclusive of government rent, rates, management fee, utilities and other service charges.

Since 30 September 2009, the Office Premises has been used by our Group as its principal place of business in Hong Kong. Having considered the rentals of comparable office premises in the same location, and renovation and associated costs which our Group may incur if it moves out of the Office Premises, our Directors consider that it is desirable and in the interests of our Company and the Shareholders as a whole to continue using the Office Premises as the principal place of business of our Company in Hong Kong.

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.

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the depreciation expenses for the Office Premises amounted to approximately HK\$886,445, HK\$886,445 and HK\$221,611, respectively. The depreciation expenses for the Office Premises for the year ending 31 December 2015 will amount to approximately HK\$428,448. Our rental expense for the years ending 31 December 2015 and 2016 will amount to HK\$1,455,760 and HK\$2,817,600, respectively, which will be recognised in the profit and loss account after the Listing. The difference between the historical annual depreciation expense and the annual rental expense will be reflected in our combined profit attributable to owners of our Company, which will amount to approximately HK\$1.0 million and HK\$1.9 million for the years ending 31 December 2015 and 2016, respectively, which will be part of the annual rental expense for the Office Premises to be charged under administration expenses of our Group after the Listing.

## CONNECTED TRANSACTIONS

### C. CAP AMOUNTS AND BASIS FOR DETERMINING THE ANNUAL CAP AMOUNTS FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our Group did not pay any monthly rental to Assets Sino HK for the Office Premises.

The following table sets out (i) the annual rental payable by our Group to Assets Sino HK under the Office Premises Tenancy Agreement for the three financial years ending 31 December 2017; and (ii) the expected annual caps in respect of such rental:

	Year ending 31 December		
	2015 (HK\$)	2016 (HK\$)	2017 (HK\$)
Rental payable under the Office Premises Tenancy Agreement . .	1,455,760	2,817,600	2,817,600
Annual caps . . . . .	1,455,760	2,817,600	2,817,600

The above expected annual caps are determined in accordance with the rental payable to Assets Sino HK under the Office Premises Tenancy Agreement which was arrived at after arm's length negotiation between the parties and determined with reference to (i) the previous rental under the Office Premises Tenancy Agreement; and (ii) the current market rent payable for a property similar to the subject property and of comparable utility.

In respect of Rule 20.51 of the GEM Listing Rules, the maximum annual value (the "Annual Caps"), if any, for the continuing connected transaction described above shall not exceed the applicable limit set out below:

	Annual Caps For the year ending 31 December		
	2015 (HK\$)	2016 (HK\$)	2017 (HK\$)
Annual rental payable under the Office Premises Tenancy Agreement . . . . .	1,455,760	2,817,600	2,817,600

### D. GEM LISTING RULES IMPLICATIONS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Pursuant to Rule 20.74 of the GEM Listing Rules, the relevant applicable percentage ratios (as prescribed under Chapter 20 of the GEM Listing Rules) of the transaction contemplated under the Office Premises Tenancy Agreement for each of the three financial years ending 31 December 2017, on an annual basis, exceed 5% but less than 25% and the total consideration is less than HK\$10,000,000. Therefore, upon the Listing, the continuing connected transaction described above would be subject to reporting, announcement and annual review but exempt from the circular and shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

### E. WAIVER APPLICATION FOR THE NON-EXEMPT CONTINUING CONNECTED TRANSACTION

As the continuing connected transaction in respect of the Office Premises described above is expected to continue on a recurring basis following completion of the Placing, and have been entered into prior to the Listing Date and fully disclosed in this prospectus, our Directors consider that it would not be practical, and would add unnecessary administrative costs to our Company, to make disclosure of such transaction in compliance with the announcement requirement in Rule 20.33 of the GEM Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in respect of the continuing connected transaction described above from strict compliance with the announcement requirement set out in Rule 20.33 of the GEM Listing Rules for the three years

## CONNECTED TRANSACTIONS

ending 31 December 2017, provided that the annual transaction amount in respect of such continuing connected transaction does not exceed the Annual Caps. Our Company will comply with other applicable provisions set out in Chapter 20 of the GEM Listing Rules in relation to such continuing connected transaction of our Group. In the event of any further amendments to the GEM Listing Rules imposing more stringent requirements, our Company will take appropriate steps to ensure compliance with such requirements within a reasonable period of time.

### F. CONFIRMATION FROM THE DIRECTORS AND THE SOLE SPONSOR

Our Directors (including independent non-executive Directors) are of the opinion that the Office Premises Tenancy Agreement was negotiated on an arm's length basis and on normal commercial terms and the transaction described above has been entered into, and will be carried out following completion of the Placing, in the ordinary and usual course of our Group's business and on normal or better than normal commercial terms, as the case may be, from the perspective of our Company, and that the terms of such transaction and the Annual Caps are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Sole Sponsor confirms that the Office Premises Tenancy Agreement has been entered into in the ordinary and usual course of business of our Group on normal commercial terms. Having considered the past transactions between Assets Sino HK and our Group, the terms of the Office Premises Tenancy Agreement including the pricing and the basis and assumptions in arriving at the proposed Annual Caps, the Sole Sponsor is of the view that the terms of the Office Premises Tenancy Agreement, including the proposed Annual Caps, are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### DISCONTINUED CONNECTED TRANSACTIONS

During the Track Record Period, we had entered into the following connected transactions with the relevant connected persons of our Company which have ceased before the Latest Practicable Date:

#### Advances or loans provided to connected persons and the relevant interest income received by our Group

During the Track Record Period, our Group had provided advances or loans to our connected persons. All advances or loans provided to our connected persons were denominated in Hong Kong dollars, unsecured, repayable on demand, and carried an interest rate of 3.5%, 3.5% and 2.5% per annum for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively. All the loans due from such connected persons of our Company were fully paid before 31 March 2015. During the Track Record Period, the loans provided by our Group to our connected persons are summarised as follows:

	As at			Maximum amounts outstanding during the year/period		
	31 December		31 March	31 December		31 March
	2013	2014	2015	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Million Trader ( <i>Note 1</i> )	—	13,317	—	—	13,317	13,317
Ahsay Corporation	9,300	—	—	9,300	9,300	—
Sau King	8,200	8,354	—	8,200	8,354	8,354
	<u>17,500</u>	<u>21,671</u>	<u>—</u>	<u>8,200</u>	<u>8,354</u>	<u>8,354</u>

*Note:*

(1) Included a loan balance of HK\$130,000 which is non-interest bearing during the Track Record Period.

## CONNECTED TRANSACTIONS

### Interest income received from connected persons

Our Group charged interest on the advances or loans that we provided to our connected persons and the following set forth the amount of interest income we received from our connected persons during the Track Record Period:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Million Trader .....	—	550	110
Ahsay Corporation .....	131	16	—
Sau King .....	100	204	48
	<u>231</u>	<u>770</u>	<u>158</u>

### Advance received from connected persons and the relevant interest expense paid by our Group

During the Track Record Period, our Group received advance from Million Trader, a connected person. As at 31 December 2013, the amount of advance outstanding is approximately HK\$1.1 million which was unsecured, with carrying interest rate at 4% per annum and repayable on demand. The advance was fully repaid during the year ended 31 December 2014.

### Interest expenses paid to connected persons

Our Group paid interest on the advance that we received from our connected persons and the following set forth the amount of interest expense during the Track Record Period.

	Year ended 31 December		Three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Million Trader .....	71	20	—
Ahsay Corporation .....	20	—	—
Commonwill Catering .....	—	12	—
	<u>91</u>	<u>32</u>	<u>—</u>

### Advances received from our Controlling Shareholders

During the Track Record Period, our Controlling Shareholders and non-executive Director made advances to our Group. All advances were non-trade nature, unsecured, interest free, and repayable on demand. The advances were fully paid in March 2015. During the Track Record Period, the advances made by our Controlling Shareholders and non-executive Director to our Group are summarised as follows:

	As at 31 December		As at 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Mr. Scherring Chong .....	1,658	2,255	—
Ms. Monita Chong .....	1,659	1,659	—
Mr. Schubert Chong .....	—	684	—
Mrs. Chong .....	—	796	—
	<u>3,317</u>	<u>5,394</u>	<u>—</u>

## CONNECTED TRANSACTIONS

### Guarantees received from (provided to) connected persons

During the Track Record Period, our Group received guarantees from connected persons on certain of our bank borrowings and provided guarantees to our connected persons on their bank borrowings from financial institutions which are Independent Third Parties. Our Group will cease to receive guarantees and to be the guarantor of those bank loans upon the Listing. The following table sets out the information in respect of the guarantees provided to and received by our Group:

<u>Guarantor</u>	<u>Borrower</u>	<u>Lender</u>	<u>Date of loan agreement</u>	<u>Maximum amount of guarantee (HK\$)</u>
Ahsay Corporation . . . . .	Ahsay HK	Chong Hing Bank Limited	15 October 2013	4,217,974
Ahsay Corporation . . . . .	Ahsay HK and Million Victory	Chong Hing Bank Limited	15 August 2013	16,680,000
Ahsay Corporation . . . . .	Ahsay HK	Nanyang Commercial Bank, Limited	4 July 2013	28,056,000
Million Trader . . . . .	Ahsay HK	Nanyang Commercial Bank, Limited	4 July 2013	28,056,000
Ahsay Corporation . . . . .	Ahsay HK and Million Victory	Chong Hing Bank Limited	12 March 2014	10,000,000
Ahsay Corporation . . . . .	Ahsay HK	Nanyang Commercial Bank, Limited	20 June 2014	14,670,000
Million Trader . . . . .	Ahsay HK	Nanyang Commercial Bank, Limited	20 June 2014	14,670,000
Ahsay HK . . . . .	Ahsay Corporation	Nanyang Commercial Bank, Limited	22 October 2012	(44,629,000)
Ahsay HK . . . . .	Ahsay Corporation	Nanyang Commercial Bank, Limited	21 March 2013	(30,920,000)
Ahsay HK . . . . .	Ahsay Corporation	Nanyang Commercial Bank, Limited	20 June 2014	(28,940,000)
Ahsay HK . . . . .	Million Glory	Nanyang Commercial Bank, Limited	20 December 2012	(12,750,000)
Ahsay HK . . . . .	Million Glory	Nanyang Commercial Bank, Limited	20 January 2014	(19,550,000)
Ahsay HK . . . . .	Million Glory	Nanyang Commercial Bank, Limited	12 January 2015	(24,800,000)
Ahsay HK . . . . .	Million Trader	Nanyang Commercial Bank, Limited	18 August 2009	(6,000,000)
Ahsay HK . . . . .	Million Trader	Nanyang Commercial Bank, Limited	7 November 2012	(18,000,000)
Ahsay HK . . . . .	Million Trader	Nanyang Commercial Bank, Limited	20 December 2012	(18,000,000)
Ahsay HK . . . . .	Million Trader	Nanyang Commercial Bank, Limited	23 June 2014	(18,000,000)

During the Track Record Period, certain Directors and Controlling Shareholders had also provided personal guarantees to the above bank loans provided to our Group. Those Directors and Controlling Shareholders will cease to be the guarantors of those bank loans provided to our Group upon the Listing.

## CONNECTED TRANSACTIONS

### Management fee income from connected persons

During the Track Record Period, our Group provided administrative services to our connected persons and received management fee income from our connected persons, which are summarised as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Million Trader .....	145	274	—
Ahsay Corporation .....	173	179	—
Commonwill Development .....	60	—	—
Advantage AC&R .....	374	359	—
	<u>752</u>	<u>812</u>	<u>—</u>

Since March 2015, our Group discontinued to provide such administrative services to the above connected persons.

### Motor vehicle expenses to a connected person

During the Track Record Period, our Group incurred rental for the use of motor vehicles owned by our connected person. Such transactions were discontinued after March 2015 and are summarised as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Ahsay Corporation .....	240	240	60

### The tenancy agreement in respect of Directors' quarters for Mr. Chong King Fan and Mr. Schubert Chong

During the Track Record Period, our Group had entered into a tenancy agreement as tenant with our connected person, for the lease of directors' quarters for Mr. Chong King Fan and Mr. Schubert Chong. The tenancy agreement had been terminated on 31 May 2015. During the Track Record Period, the rentals paid by our Group to our connected person are summarised as follows:

	Year ended 31 December		Three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Ahsay Corporation .....	1,320	1,320	330

### One-off connected transaction

#### *Discontinued operation — disposal of properties held by our Group*

In June 2015, our Group had disposed two properties to its connected persons, Assets Sino HK and Atlantic Sky Global (HK) Limited, respectively. On 8 June 2015, Ahsay HK as vendor entered into a sales and purchase agreement with Assets Sino HK as purchaser for the sales of car parking space number P5 on the 2nd floor and 28th floor, Ford Glory Plaza, No. 37 Wing Hong Street, Lai Chi Kok,



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## CONNECTED TRANSACTIONS

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Kowloon, Hong Kong in the consideration of HK\$81,900,000. On 8 June 2015, Ahsay HK as vendor entered into a sales and purchase agreement with Atlantic Sky Global (HK) Limited as purchaser for the sales of units A, B, C, and D on the 5<sup>th</sup> floor, Pahsang Industrial Building, No. 16 San On Street, Tuen Mun, New Territories, Hong Kong in the consideration of HK\$20,960,000. Both disposals were completed on 25 June 2015.

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### BUSINESS OBJECTIVES

To drive backup business worldwide and become a leading developer and provider of backup software products and services for all platforms, applications and all mankind speaking different languages, we intend to (i) strengthen our software development capabilities; (ii) broaden our customer base; and (iii) pursue growth through selective acquisition and partnership.

### BUSINESS STRATEGIES

Please refer to the section headed “Business — Our Business Strategies” in this prospectus for a detailed description of our business objectives and strategies.

### IMPLEMENTATION PLANS

We will endeavour to achieve the following milestone events during the period from the Latest Practicable Date to 31 December 2017, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and Key Assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our business plans will materialise in accordance with the estimated time frame and that our future plans will be accomplished at all.

#### For the Period from the Latest Practicable Date to 31 December 2015:

##### Future plans:

- |  |  |
|--|--|
| Strengthen our software development capabilities | <ul style="list-style-type: none"><li>● Expand our R&amp;D team by approximately 15 staff members with diplomas or higher education degrees in computer science or IT related disciplines, who possess 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)</li><li>● Review the remuneration package of existing members of our R&amp;D team and candidates who will join the team</li></ul> |
| Broaden our customer base                        | <ul style="list-style-type: none"><li>● Place advertisements in magazines in the IT industry</li><li>● Participate in exhibitions in the IT industry</li><li>● Increase our exposure on the various online search platforms</li></ul>  |

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### For the Period from 1 January 2016 to 30 June 2016:

#### Future plans:

- |  |  |
|--|--|
| Strengthen our software development capabilities | <ul style="list-style-type: none"><li>● Conduct research and development to improve product features of our Ahsay™ Backup Software</li><li>● Review the remuneration package of existing members of our R&amp;D team and candidates who will join the team</li></ul> |
| Broaden our customer base                        | <ul style="list-style-type: none"><li>● Place advertisements in magazines in the IT industry</li><li>● Participate in exhibitions in the IT industry</li><li>● Increase our exposure on the various online search platforms</li></ul>                                |
| Pursue selective acquisition and partnership     | <ul style="list-style-type: none"><li>● Search and identify potential acquisition and partnership targets</li></ul>  |

### For the Period from 1 July 2016 to 31 December 2016:

#### Future plans:

- |  |  |
|--|--|
| Strengthen our software development capabilities | <ul style="list-style-type: none"><li>● Conduct research and development to improve product features and the next version development of our Ahsay™ Backup Software</li><li>● Review the remuneration package of existing members of our R&amp;D team and candidates who will join the team</li></ul>          |
| Broaden our customer base                        | <ul style="list-style-type: none"><li>● Place advertisements in magazines in the IT industry</li><li>● Participate in exhibitions in the IT industry</li><li>● Increase our exposure on various online search platforms</li></ul>  |
| Pursue selective acquisition and partnership     | <ul style="list-style-type: none"><li>● Documentation and due diligence works</li><li>● Review the backgrounds and financials of the potential target(s)</li><li>● Engage professional parties to conduct additional due diligence works on the potential target(s) and provide advices to the Group</li></ul> |

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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### For the Period from 1 January 2017 to 30 June 2017:

#### Future plans:

- |  |   |
|--|---|
| Strengthen our software development capabilities | <ul style="list-style-type: none"><li>● Conduct research and development to improve product features and the next version development of our Ahsay™ Backup Software</li><li>● Review the remuneration package of existing members of our R&amp;D team and candidates who will join the team</li></ul> |
| Broaden our customer base                        | <ul style="list-style-type: none"><li>● Place advertisements in magazines in the IT industry</li><li>● Participate in exhibitions in the IT industry</li><li>● Increase our exposure on various online search platforms</li></ul>   |
| Pursue selective acquisition and partnership     | <ul style="list-style-type: none"><li>● Complete due diligence works on potential target(s)</li><li>● Acquire companies with software development expertise and/or regional client-expertise</li></ul>  |

### For the Period from 1 July 2017 to 31 December 2017:

#### Future plans:

- |  |   |
|--|---|
| Strengthen our software development capabilities | <ul style="list-style-type: none"><li>● Conduct research and development to improve product features and the next version development of our Ahsay™ Backup Software</li><li>● Review the remuneration package of existing members of our R&amp;D team and candidates who will join the team</li></ul> |
| Broaden our customer base                        | <ul style="list-style-type: none"><li>● Place advertisements in magazines in the IT industry and public electronic media</li><li>● Participate in exhibitions in the IT industry</li><li>● Increase our exposure on various online search platforms</li></ul>   |

## BASES AND KEY ASSUMPTIONS

The business objectives set out by the Directors are based on the following bases and key assumptions:

- there will be no significant change in respect of the existing political, legal, fiscal, social or economic conditions in Hong Kong and other places in which our Group operates or intends to operate;
- there will be no disaster, natural, political or otherwise, which would materially disrupt our business operations or cause substantial loss, damage or destruction to our properties or facilities;
- there will be no material change in the existing laws (whether in Hong Kong, the PRC or any part of the world), policies, or industry or regulatory treatment relating to us, or in the political, economic or market conditions in which we operate;

## BUSINESS OBJECTIVES AND FUTURE PLANS

- there will be no material change in the bases or rates of taxation applicable to us;
- there will be no significant change in the business relationships with our major customers;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no change in the effectiveness of any licences and permits obtained by us; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

### REASONS FOR THE PLACING AND THE USE OF PROCEEDS

The Directors believe that the Listing could enhance our capital base and the net proceeds from the Placing will strengthen our financial position and enable us to implement our business objectives set out in this section. Furthermore, a public listing status on GEM will allow us to access to capital market for future corporate finance exercises, which will assist in our future business development and strengthen our competitiveness.

Based on the Placing Price of HK\$0.20 per Placing Share, we will receive gross proceeds of HK\$100 million. All expenses (including underwriting fees) in connection with the Listing are estimated to amount to approximately HK\$22.7 million. Consequently, we should receive net proceeds, after deducting all related expenses (including underwriting fees), of approximately HK\$77.3 million from the Placing. We intend to apply such net proceeds as follows:

	From the Latest Practicable Date to 31 December 2015	For the six months ending					Approximate % of the total net proceeds
		30 June 2016	31 December 2016	30 June 2017	31 December 2017	Total	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
<b>Strengthen our software development capabilities . . . . .</b>	1.0	2.5	2.6	2.5	2.5	11.1	14.3%
<b>Broaden our customer base . . . . .</b>	0.7	1.8	1.8	1.8	1.8	7.9	10.2%
<b>Pursue selective acquisition and partnership . . . . .</b>	—	—	0.6	50.0	—	50.6	65.5%
<b>Working capital and other general corporate purpose . . . . .</b>	—	—	—	—	—	7.7	10.0%
	<u>1.7</u>	<u>4.3</u>	<u>5.0</u>	<u>54.3</u>	<u>4.3</u>	<u>77.3</u>	<u>100.0%</u>

The net proceeds from the issue of the Placing Shares will be approximately 90.0% utilised by 31 December 2017 and approximately 10.0% will be used as working capital and funding for other general corporate purposes according to our current business plans. The Directors consider that the net proceeds from the issue of the Placing Shares of approximately HK\$77.3 million and our internal resources will be sufficient to finance our business plans as schedule up to the year ending 31 December 2017. In the event that we would require additional financing apart from the net

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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proceeds from the issue of the Placing Shares for our future plans, the shortfall will be financed by our internal resources and bank financing.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term interest-bearing deposits with authorised financial institutions.

To strengthen our software development capabilities, we plan to expand our R&D team by approximately 15 staff members comprising (i) software developers and analysts; (ii) mobile application developers and analysts; and (iii) software quality assurance engineer and developers, with a majority of them being software developers and analysts. The roles and responsibilities and the areas of research of such additional R&D staff members are as follows:

<b>Roles and responsibilities</b>	<b>Software developers and analysts</b>	<b>Mobile application developers and analysts</b>	<b>Software quality assurance engineer and developers</b>
	<ul style="list-style-type: none"> <li>• Design and develop software applications</li> <li>• Troubleshoot software development problems</li> <li>• Enhance software features and fix bugs</li> </ul>	<ul style="list-style-type: none"> <li>• Design, develop and implement software application for mobile devices</li> <li>• Maintain, debug and keep mobile application up-to-date</li> <li>• Update development documents</li> </ul>	<ul style="list-style-type: none"> <li>• Design and create clear and detail-oriented test plans and scenarios</li> <li>• Execute manual and automated test suites throughout software development process</li> <li>• Report discrepancies discovered and compose test reports</li> <li>• Setup and configure testing environments and the testing of data</li> <li>• Contribute to team improvement initiatives, including testing tools, process improvements and test automation</li> <li>• Implement and maintain test scripts and tools for automation purpose and test coverage improvement</li> </ul>

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## BUSINESS OBJECTIVES AND FUTURE PLANS

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	Software developers and analysts	Mobile application developers and analysts	Software quality assurance engineer and developers
<b>Areas of research and developments</b>	<ul style="list-style-type: none"> <li>• Research and develop software functionalities of our backup software products to support additional public cloud storage and different types of backup destinations</li> <li>• Research and develop software functionalities of our backup software products to support backing up various types of servers and PCs' software applications and their data</li> <li>• Improve and widen the applications of our backup software products on various types of mobile devices, and enhance functionalities of our software products to backup various types of mobile devices applications data</li> </ul>		<ul style="list-style-type: none"> <li>• New scripts to expand on testing coverage and automation testing</li> <li>• Testing tools and testing environment to simulate workflows for performance and stress testing</li> </ul>

Our Directors expect that these 15 additional R&D staff members would provide additional manpower on the research and implementation of new software features and tools, so that the competitiveness of our backup software products can be enriched in the long run.

To pursue growth through selective acquisition, we plan to selectively acquire market players, such as companies with strong software R&D capabilities or potential in servers, PC's software applications or mobile devices applications, whose businesses, products, services and growth potential are complementary to ours, or companies which will have potential growth upon being acquired by us. As at the Latest Practicable Date, we had not identified any potential acquisition target or initiated negotiations for any acquisition or joint venture.

Our Group will issue an announcement in accordance with the requirements under the GEM Listing Rules if there is any material change in the use of proceeds as described above.



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### DIRECTORS

Our Board consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The powers and duties of our Board include:-

- convening Shareholders’ meetings and reporting at Shareholders’ meetings our Board’s responsibilities and work done;
- implementing the resolutions passed at Shareholders’ meetings;
- determining our business plans and investment plans;
- formulating our annual budget and final accounts;
- formulating our proposals for profit distributions and for the increase or reduction of our share capital; and
- exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association.

We have entered into service contract with each of our executive Directors and a letter of appointment with the non-executive Director and each of our independent non-executive Directors. The table below sets forth the name, age, present positions in our Company and related information of each of our Directors. Please refer to the respective biographies of each of our Directors for their positions in other members of our Group.

Name	Age	Position	Principal responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Mr. Chong King Fan (莊景帆)	68	Chairman, Executive Director	Overseeing the business development and in-house operations of our Group	28 April 2004	10 April 2015	Father of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong Uncle of Mr. Chong Kam Fung
Mr. Chong Siu Pui (莊小霽)	46	Chief Executive Officer, Executive Director	Overseeing the business development, in-house operations, overall strategic planning and the finance and accounting activities of our Group	5 August 1999	10 April 2015	Son of Mr. Chong King Fan Elder brother of Mr. Scherring Chong and Ms. Monita Chong Cousin of Mr. Chong Kam Fung
Mr. Chong Siu Ning (莊小靈)	41	Vice Chairman, Executive Director	Overseeing the business development, strategic planning and information technology development of our Group	5 August 1999	10 April 2015	Son of Mr. Chong King Fan Younger brother of Mr. Schubert Chong and Ms. Monita Chong Cousin of Mr. Chong Kam Fung

## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Position	Principal responsibilities	Date of joining our Group	Date of appointment	Relationship with other Directors and senior management
Ms. Chong Siu Fan (莊小霽)	43	Non-executive Director	Advising on business opportunities for investment, development and expansion of our Group	1 March 2005	9 June 2015	Daughter of Mr. Chong King Fan Younger sister of Mr. Schubert Chong Elder sister of Mr. Scherring Chong Cousin of Mr. Chong Kam Fung
Mr. Wong, Cho Kei Bonnie (黃楚基)	47	Independent non-executive Director	Providing independent advice to the Board	4 September 2015	4 September 2015	nil
Ms. Wong Pui Man (黃佩文)	42	Independent non-executive Director	Providing independent advice to the Board	4 September 2015	4 September 2015	nil
Mr. Wong, Yau Sing (黃有成)	65	Independent non-executive Director	Providing independent advice to the Board	4 September 2015	4 September 2015	nil

The table below sets forth the name, age, present positions in our Company and related information of each of our senior management:

Name	Age	Date of joining our Group	Position	Principal responsibilities	Relationship with other Directors and senior management
Mr. Lau Ka Yan Andy (劉嘉恩)	46	8 August 2011	Sales director of Ahsay HK	Global sales operation of the Group	—
Mr. Chong Kam Fung (莊金峰)	35	2 March 2015	Company secretary and finance director of our Company, and finance director of Ahsay HK	Overall corporate financial matters, capital management, investor relations, corporate governance, company secretarial matters and strategic planning of our Group	Nephew of Mr. Chong King Fan Cousin of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong

### Executive Directors

**Mr. CHONG King Fan (莊景帆)**, aged 68, 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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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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 has been a vice chairman of the Industrial Chemical Merchants Association Limited since 2013, a vice chairman and an honorary consultant of Hong Kong Chongqing Friendship Federation Limited since 2013 and an honorary director of Kowloon West Chaoren Association Limited since 2009 and became a vice chairman since 2013. Mr. Chong King Fan also has 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, a Controlling Shareholder, the father of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong, Directors, and the uncle of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay HK.

Mr. Chong King Fan holds directorships in various companies within our Group including the following:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Position held</u>	<u>Period of services</u>
Ahsay HK	Hong Kong	Director Chairman	April 2004 – present January 2008 – present
CloudBacko HK	Hong Kong	Director	January 2014 – present
CloudBacko BVI	BVI	Director	January 2014 – present
Alpha Heritage	BVI	Director	March 2015 – present
Apex Ace	BVI	Director	March 2015 – present
Ahsay CQ	PRC	Supervisor	February 2013 – present

**Mr. CHONG Siu Pui (莊小霽)**, aged 46, was appointed as a Director on 10 April 2015 and 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 degree of Master of Business Administration (International) from the University of Sydney, Australia in June 1994 and his degree of 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

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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(FCCA) in the United Kingdom and the Hong Kong Institute of Certified Public Accountants (HKICPA), respectively, 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.

Mr. Schubert Chong holds directorships in various companies within our Group including the following:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Position held</u>	<u>Period of services</u>
Ahsay HK	Hong Kong	Director, chief executive officer and financial director	August 1999 – present October 2005 – present
CloudBacko HK	Hong Kong	Director	January 2014 – present
CloudBacko BVI	BVI	Director	January 2014 – present
Alpha Heritage	BVI	Director	March 2015 – present
Apex Ace	BVI	Director	March 2015 – present
Ahsay CQ	PRC	Executive director, general manager and legal representative	February 2013 – present

**Mr. CHONG Siu Ning** (莊小靈), aged 41, 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 degree of 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 more than 15 years of experience in the backup software industry. Prior to forming our Group, he worked as an associate software specialist at Oracle Systems Hong Kong

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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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.

Mr. Scherring Chong holds directorships in various companies within our Group including the following:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Position held</u>	<u>Period of services</u>
Ahsay HK	Hong Kong	Director Information technology & marketing director	August 1999 – present July 2000 – present
CloudBacko HK	Hong Kong	Director	January 2014 – present
CloudBacko BVI	BVI	Director	January 2014 – present
Alpha Heritage	BVI	Director	March 2015 – present
Apex Ace	BVI	Director	March 2015 – present

### Non-Executive Director

**Ms. CHONG Siu Fan (莊小霧)**, aged 43, is a non-executive Director appointed on 9 June 2015. Ms. Monita Chong is responsible for advising on business opportunities for investment, development and expansion of our Group.

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.

Ms. Monita Chong holds directorships in various companies within our Group including the following:

<u>Name of company</u>	<u>Place of incorporation</u>	<u>Position held</u>	<u>Period of services</u>
Ahsay HK	Hong Kong	Director Sales director	January 2010 – present March 2005 – April 2014
CloudBacko HK	Hong Kong	Director	January 2014 – present
CloudBacko BVI	BVI	Director	January 2014 – present

### Independent non-Executive Directors

**Mr. WONG Cho Kei Bonnie (黃楚基)**, aged 47, 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 the degree of Bachelor of Science in Biomedical Engineering

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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from Boston University, the US, and the degree of 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 has 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, 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 42, 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 degree of 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 degree of 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.

**Mr. WONG Yau Sing (黃有成)**, aged 65, 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.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the



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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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three years prior to the Latest Practicable Date. Immediately following completion of the Placing and the Capitalisation Issue, save as the interests in the Shares which are disclosed in the section headed “Substantial and Significant Shareholders” in this prospectus and the paragraph headed “C. Further Information About Directors and Substantial Shareholders — 1. Directors” in Appendix IV to this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

### SENIOR MANAGEMENT

**Mr. LAU Ka Yan Andy** (劉嘉恩), aged 46, 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 degrees of 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 degree of 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.

**Mr. CHONG Kam Fung** (莊金峰), aged 35, is the company secretary and finance director of our Company, and the finance director of Ahsay HK. Mr. Chong Kam Fung joined us as the finance director of Ahsay HK 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.

### Compliance with the management continuity requirement under the GEM Listing Rules

We comply with the management continuity requirement under Rule 11.12A(2) of the GEM Listing Rules on the basis that our management control was largely vested in the three executive Directors, namely Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong, during the Track Record Period and up to the Latest Practicable Date, and Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong will continue to be the executive Directors and form the core management of our Group at the time of the Listing and thereafter.

### COMPANY SECRETARY

Mr. Chong Kam Fung is the Company Secretary of our Company. For details of his biography, please refer to the paragraph headed “Senior Management” of this section.



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## **DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

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### **COMPLIANCE OFFICER**

Mr. Schubert Chong is the Compliance Officer of our Company. For details of his biography, please refer to the paragraph headed “Executive Directors” of this section.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Audit Committee was established by our Board on 4 September 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. 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.

Our Audit Committee consists of Mr. Wong Cho Kei Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing. The chairman of our Audit Committee is Mr. Wong Yau Sing.

#### **Remuneration Committee**

Our Remuneration Committee was established by our Board on 4 September 2015 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules. The Remuneration Committee considers and recommends to our Board the remuneration and other benefits paid by us to our 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.

The Remuneration Committee consists of Mr. Wong Cho Kei Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing. Ms. Wong Pui Man has been appointed as the chairman of our Remuneration Committee.

#### **Nomination Committee**

Our Nomination Committee was established by our Board on 4 September 2015 with written terms of reference in compliance with paragraph A.5.1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. Our 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.

Our Nomination Committee consists of Mr. Wong Cho Kei Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing. Mr. Wong Cho Kei Bonnie has been appointed as the chairman of our Nomination Committee.

#### **Risk Management Committee**

Our Company established a risk management committee pursuant to a resolution of our Directors passed on 4 September 2015. The primary duties of the risk management committee are to review our Company’s risk management policies and standards and supervise and monitor our Company’s exposure to International Sanctions risks. The risk management committee currently consists of Mr. Schubert Chong, Mr. Wong Cho Kei, Bonnie and Ms. Wong Pui Man and is currently chaired by Mr. Schubert Chong.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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### CORPORATE GOVERNANCE

We believe that our Board includes a balanced composition of executive and non-executive Directors (including the independent non-executive Directors) so that our Board can effectively exercise independent judgement. We are also committed that our independent non-executive Directors should be of appropriate calibre. Our independent non-executive Directors, further information of whom is set forth above in this section, are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgement.

The following measures have been adopted by us in respect of the enforceability of the Deed of Non-Competition and to strengthen our corporate governance practice to safeguard the interests of the Shareholders:—

- the Articles provide that save for certain circumstances provided in the Articles, a Director shall not vote at nor be counted in the quorum of the Board meetings in case of any issues of conflict of interests being put to be decided by members of the Board;
- our independent non-executive Directors will hold an annual meeting to review the compliance of our Controlling Shareholders with the Deed of Non-Competition and to evaluate the effective implementation of the Deed of Non-Competition;
- we will disclose decisions on matters reviewed by independent non-executive Directors relating to the enforcement of the Deed of Non-Competition (if any) in our annual report or, where our Board considers it appropriate, by way of an announcement; and
- our Controlling Shareholders will make an annual confirmation as to compliance with the Deed of Non-Competition for inclusion in our annual report.

Further, any transaction that is proposed between us and our Controlling Shareholders or their respective associates will be required to comply with the then requirements of the GEM Listing Rules, including, where applicable, the reporting, announcement and independent shareholders' approval requirements.

### COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

We reimburse our Directors for expenses which are necessarily and reasonably incurred for providing services to us or executing their functions in relation to our operations. The executive Directors are also our employees and receive, in their capacity as our employees, compensation in the form of salaries and other allowances and benefits in kind.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to our five highest paid individuals, including our contribution to the pension schemes for such individuals, during the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 were approximately HK\$11,790,000, HK\$11,584,000 and HK\$2,815,500, respectively.

During the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the aggregate amount of salaries and other allowances, pension scheme contributions and benefits in kind paid by us to all of our Directors were approximately HK\$10,490,000, HK\$9,842,000 and HK\$2,262,000, respectively.

Except as disclosed above, no other payments have been made or are payable in respect of each of the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 by us or any of our subsidiaries to or on behalf of any of our Directors, and no payments were made during the two years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 by us to any of our Directors as an inducement to join or upon joining our Company or as compensation for loss of office.

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## DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

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Under the arrangements currently in place, we estimate that the aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending 31 December 2015 to be approximately HK\$7,586,000.

### SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” as set out in Appendix IV to this prospectus.

### COMPLIANCE ADVISER

Our Group has appointed V Baron as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance advisers will advise our Group in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (3) where our Group proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where our Group’s business activities, development or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which our Group complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date.

### EMPLOYEES

For information on our employees, please refer to the section headed “Business – Employees” in this prospectus.

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## SHARE CAPITAL

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### SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Placing and Capitalisation Issue (without taking into account Shares which may be issued and allotted pursuant to any exercise of options which may be granted under the Share Option Scheme):

	<u>HK\$</u>
Authorised share capital:	
10,000,000,000 Shares with nominal value of HK\$0.01 each .....	HK\$100,000,000.00
Issued or to be issued, fully paid or credited as fully paid:	
2 Shares in issue as of the date of this prospectus .....	HK\$ 0.02
500,000,000 Shares to be issued under the Placing .....	HK\$ 5,000,000.00
<u>1,499,999,998</u> Shares to be issued under the Capitalisation Issue .....	<u>HK\$ 14,999,999.98</u>
Total Shares issued and to be issued upon completion of the Placing and the Capitalisation Issue:	
<u>2,000,000,000</u> Shares .....	<u>HK\$ 20,000,000.00</u>

### ASSUMPTIONS

The above table assumes that the Placing and the Capitalisation Issue become unconditional and the issue of Shares pursuant thereto is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Placing Shares will rank equally with all our Shares now in issue or to be issued and will qualify for all dividends, income and other distributions and any other rights and benefits attaching or accruing to our Shares in respect of a record date which falls after the Listing Date.

### GENERAL MANDATE

Assuming the Placing becomes unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- (i) 20.0% of the total nominal amount of our share capital in issue immediately following the completion of Placing and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under the Share Option Scheme); and
- (ii) the total amount of our share capital repurchased by us (if any) pursuant to the Repurchase Mandate.

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## SHARE CAPITAL

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The General Mandate is in addition to the powers of our Directors to allot, issue or deal with Shares under any rights issue, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend in accordance with the Articles of Association, or pursuant to the exercise of any subscription rights attached to any warrants which may be issued by us from time to time, or upon the exercise of options granted under the Share Option Scheme. The General Mandate does not include any Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

The General Mandate will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For details of the General Mandate, please see the section headed “Statutory and General Information — A. Further Information about the Group — 4. Resolutions in writing of the sole Shareholder passed on 4 September 2015” in Appendix IV to this prospectus.

### REPURCHASE MANDATE

Subject to the conditions stated in the section headed “Structure and Conditions of the Placing — Conditions of the Placing” of this prospectus, our Directors have been granted a general mandate to exercise all our powers to repurchase Shares with a total nominal value of not more than 10.0% of the aggregate nominal value of our share capital in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued pursuant to the exercise of any option which may be granted under the Share Option Scheme).

The Repurchase Mandate only relates to repurchases made on GEM, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information about the Group — 7. Repurchase by our Company of its own securities” in Appendix IV to this prospectus.

The Repurchase Mandate will expire:

- at the end of our next annual general meeting;
- at the end of the period within which we are required by any applicable law or the Articles of Association to hold our next annual general meeting; or
- when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further information about the Repurchase Mandate, please refer to the section headed “Statutory and General Information — A. Further Information about the Group — 4. Resolutions in writing of the sole Shareholder passed on 4 September 2015” in Appendix IV to this prospectus.

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## SHARE CAPITAL

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### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may subject to the provisions of the Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. For details, see the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (c) Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and Articles of Association, all or any of the special rights attached to the Share or any class of Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For details, see the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — 2. Articles of Association — (d) Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

### **SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information — D. Share Option Scheme” as set out in Appendix IV to this prospectus.

## SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

Our Directors confirm that, immediately following the completion of the Placing and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons/entities will have an interests and/or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be directly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group:

#### Substantial Shareholders of our Company

Name	Capacity and nature of interests	Number of Shares held <sup>(Note 1)</sup>	Approximate percentage of shareholding
All Divine . . . . .	Beneficial Owner	1,500,000,000(L) <sup>(Note 2)</sup>	75%
Able Future . . . . .	Interest in a controlled corporation	1,500,000,000(L) <sup>(Notes 2 and 3)</sup>	75%
Mrs. Chong . . . . .	Interest in a controlled corporation	1,500,000,000(L) <sup>(Note 3)</sup>	75%
Mr. Schubert Chong . . . . .	Interest in a controlled corporation	1,500,000,000(L) <sup>(Note 3)</sup>	75%
Mr. Scherring Chong . . . . .	Interest in a controlled corporation	1,500,000,000(L) <sup>(Note 3)</sup>	75%
Mr. Chong King Fan . . . . .	Interest of spouse	1,500,000,000(L) <sup>(Note 4)</sup>	75%
Ms. Li Yin Heung . . . . .	Interest of spouse	1,500,000,000(L) <sup>(Note 4)</sup>	75%
Ms. Wu Jui-fang . . . . .	Interest of spouse	1,500,000,000(L) <sup>(Note 4)</sup>	75%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the Shares.
- (2) All Divine is wholly-owned by Able Future which is owned as to 40% by Mrs. Chong, 30% by Mr. Schubert Chong and 30% by Mr. Scherring Chong, respectively.
- (3) Mrs. Chong, Mr. Schubert Chong, Mr. Scherring Chong and Able Future are deemed to be interested in the Shares held by All Divine under the SFO. Mr. Schubert Chong is an executive Director and the chief executive officer of our Company. Mr. Scherring Chong is an executive Director.
- (4) Mr. Chong King Fan is the spouse of Mrs. Chong. Ms. Wu Jui-fang is the spouse of Mr. Schubert Chong and Ms. Li Yin Heung is the spouse of Mr. Scherring Chong. Under the SFO, each of Mr. Chong King Fan, Ms. Wu Jui-fang and Ms. Li Yin Heung is deemed to be interested in the Shares which are interested by their respective spouses. Mr. Chong King Fan is the executive Director and chairman of the Board.

Saved as disclosed above, our Directors are not aware of any persons who will, immediately following completion of the Placing and the Capitalisation Issue, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.



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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the accountants' report set out in Appendix I to this prospectus (the "Accountants' Report") and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs as adopted by the HKICPA.*

*The following discussion and analysis contain certain forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk Factors" and "Forward-looking Statements" in this prospectus for discussions of those risks and uncertainties.*

### OVERVIEW

We are an online backup software developer based in Hong Kong, with a focus on providing self-developed backup software products and services to our customers which include IT consultants, web hosting companies, telecommunications companies and MSPs located mainly in Europe and the North America. According to the Frost & Sullivan Report, we are accredited as a market leader in online backup software solutions targeted at SMEs worldwide, ranking first among all the backup software companies in Hong Kong catering to SMEs globally in terms of revenue for the year ended 31 December 2014. During the Track Record Period, substantially all of our backup software products and services were sold to or ordered by our customers through the Internet on our sales websites. Upon payment by our customers online at our sales websites, our customers can download and activate our backup software products for use immediately. During the Track Record Period, we derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. As our Ahsay™ Backup Software is rebrandable, our customers may provide our Ahsay™ Backup Software to their respective customers in our brand name "Ahsay" or under their own brand names.

During the Track Record Period, we had over 4,000 customers from over 75 countries worldwide. Our backup software products are developed in Hong Kong and are equipped with multi-lingual, multi-platform and multi-application built-in features. Our Ahsay™ Backup Software supports over 30 languages and dialects, and can be used on various platforms and different software applications. Since 2003, we have accumulated solid experience in developing backup software products and services. In particular, we design our Ahsay™ Backup Software and related services to assist our customers in managing their IT or backup-related business in a user-friendly and orderly manner so as to improve their efficiency. In 2014, we released our new backup software product, CloudBacko Backup Software, which targets at end-users.

Our revenue is principally derived from (i) software licence sales; (ii) software licence leasing; (iii) software upgrades and maintenance services; (iv) other services; and (v) sale of hardware devices. During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services. Our Directors have confirmed that there had not been any change in the business focus of our Group during the Track Record Period.

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, revenue from our business of backup software ("our continuing operation") amounted to approximately HK\$58.1 million, HK\$54.0 million and HK\$14.2 million, respectively, while the net profit from our continuing operation amounted to approximately HK\$16.0 million, HK\$14.7 million and HK\$3.2 million, respectively, during the corresponding periods. For the same periods, the net profit

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## FINANCIAL INFORMATION

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margin of our continued operation was approximately 27.6%, 27.2% and 22.4%, respectively. Pursuant to the Reorganisation as described in the section headed “History, Development and Reorganisation” in this prospectus, in June 2015, our Group disposed of our property investment business (“our discontinued operation”) as it does not fall within our principal business. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, profit from our discontinued operation amounted to approximately HK\$13.0 million, HK\$3.8 million and HK\$2.6 million, respectively, while the net profit margin of our discontinued operation was approximately 87.4%, 66.1% and 89.3%, respectively<sup>(1)</sup>. Please refer to the sections headed “Business” and “History, Development and Reorganisation” in this prospectus for a detailed discussion of our backup software business and the details of the Reorganisation.

### BASIS OF PRESENTATION OF FINANCIAL INFORMATION

Our financial information has been prepared in accordance with HKFRSs. The financial information is presented in Hong Kong dollars, which is the same as our Company’s functional currency and all values are rounded to the nearest thousand unless otherwise indicated.

The preparation of financial information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying our Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in the Accountants’ Report.

Prior to the Reorganisation, Ahsay HK, CloudBacko HK and CloudBacko BVI were owned by Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. Ahsay CQ and Million Victory were the wholly-owned subsidiaries of Ahsay HK.

Pursuant to the Reorganisation, our Company became the holding company of all the companies now comprising our Group on 1 June 2015. Our Company and the subsidiaries now comprising our Group have been under the common control of Mrs. Chong, Mr. Schubert Chong and Mr. Scherring Chong throughout the Track Record Period. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the financial information of our Group has been prepared on the basis as if our Company had always been the holding company of the companies comprising our Group throughout the Track Record Period, using the principle of merger accounting.

Our combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period and our combined statements of financial position as at 31 December 2013, 31 December 2014 and 31 March 2015 are prepared as if the current structure of our Group had been in existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where this is a shorter period (except that Million Victory has been accounted for as a subsidiary throughout the Track Record Period and until the effective date of disposal).

### PRINCIPAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those discussed below, some of which are beyond our control.

(1) Net profit margin from our discontinued operation is calculated based on the profit from our discontinued operation divided by rental income and other gains of our discontinued operation.

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## FINANCIAL INFORMATION

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### **Our ability to keep abreast of technological advancement, identify the needs of our customers and formulate and execute our development plans timely**

The software and IT industry is a fast-moving industry. Our ability to develop backup software and services that are well-accepted in the industry and by our customers is critical to our operations. Therefore, we must keep abreast of technological advancement, and be able to identify the needs of our customers and formulate and execute our development plans timely. Should we fail to stay ahead of the industry trend and rapidly respond to the latest developments and the needs of our customers in terms of offerings and pricing of our backup software products and services, the continual growth of our business may be affected.

### **Our software development capability**

The software and IT industry is highly competitive and subject to changing technology and user needs. As a result, our revenue growth and continual success depend on our capability to design and develop new software products with the latest technology that can respond to our customers' needs. We seek to strengthen our software development capability continuously by expanding our R&D team with relevant skills and expertise. As at the Latest Practicable Date, our R&D team comprised 24 members, representing approximately 40.7% of our total number of employees. Approximately 29.2% of the R&D team members have obtained master's or higher degrees, 66.7% have obtained solely bachelor's degrees, and 79.2% of them have over 5 years' experience in the software and IT industry. Our continual success depends on our ability to enhance our software development capability.

### **Our ability to respond to increasing staff costs and retain our staff**

Our staff costs and related expenses were the major expenditure item of our Group during the Track Record Period. The rising cost of IT professionals in the Hong Kong software and IT industry has led to higher average staff costs and related expenses. Our Directors consider that it is important for our Group to retain quality staff. As our business depends substantially on our staff's capabilities to develop software products and deliver services to our customers, our ability to respond to increasing staff costs and retain our staff is important to our operations and financial conditions. As staff costs and related expenses rise, our results of operations will be adversely affected if we are not able to increase our revenue or staff productivity correspondingly to offset higher staff costs and related expenses.

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our staff costs and related expenses amounted to approximately HK\$34.0 million, HK\$30.9 million and HK\$7.9 million, respectively, representing approximately 58.6%, 57.2% and 55.2%, respectively, of our revenue for the corresponding periods. For illustrative purpose only, a sensitivity analysis of our net profit with reference to the staff costs and related expenses during the Track Record Period is set forth below.

	<b>Hypothetical increase/decrease in staff costs and related expenses</b>		
	<b>3.0%</b>	<b>5.0%</b>	<b>7.0%</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Decrease/increase of our net profits</b>			
For the year ended 31 December 2013 .....	851.8	1,419.7	1,987.5
For the year ended 31 December 2014 .....	773.8	1,289.7	1,805.5
For the three months ended 31 March 2015 .....	196.7	327.8	458.9

As salaries rise, our results of operations will be adversely affected if we are not able to increase our revenue correspondingly to offset higher staff costs.

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## FINANCIAL INFORMATION

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### Market development for cloud backup

We target to launch a new version of our Ahsay™ Backup Software, version 7, in the fourth quarter of 2015. Version 7 will be our latest backup software package that bundles with all of the core backup software components, including AhsayOBM, AhsayACB, AhsayOBS, AhsayRPS, AhsayRDR, and billing system, under one umbrella. It provides our customers with a unified rebrandable enterprise-class managed cloud and local backup solution.

The cloud backup market is relatively new. It is uncertain whether cloud backup will achieve and sustain high levels of market demand and acceptance. The success of our new backup software products, including CloudBacko Backup Software and the public cloud support feature of AhsayCBS, will depend, to a large extent, on the pace at which end-users become comfortable with moving their data online and accept public cloud backup. If market acceptance is slower than expected, we may not realise the full benefits of our investments in public cloud backup or may need to spend more on advertising to increase user awareness and market acceptance.

### General conditions affecting the software and IT industry

Our results of operations are affected by general conditions that typically affect the software and IT industry, including prevailing economic condition, increasing expectations for informatisation, changing management practice and demand for backup software and cloud applications. The software and IT market, particularly the market relating to cloud backup, has a relatively short history and has experienced rapid growth in recent years. Changes in the factors that lead to growth in the software and IT industry would have significant impact on our business and prospects. We depend on the future growth of the software and IT market, which may in turn depend on the profitability, liquidity, business outlook of SMEs and their willingness to invest in information systems. For risks relating our industry, please refer to the section headed “Risk Factors — Risks Relating to Our Industry” in this prospectus.

### Seasonality

Our business and results of operations are affected by seasonality. Our software licence sales and our software upgrades and maintenance services usually record higher revenue in the fourth quarter of a year. During the Track Record Period, we generated over 96.9% of our revenue from software licence sales and leasing and software upgrades and maintenance services. For the year ended 31 December 2013 and the year ended 31 December 2014, our revenue from software licence sales and our software upgrades and maintenance services in the fourth quarter of each year represented over 33.3% of our annual revenue from software licence sales and our software upgrades and maintenance services. To the best of the knowledge of our Directors, our customers are inclined to spend their unused annual budget before the end of the year or make purchases before the end of the year in order to plan ahead for the next year. In addition, we usually organise annual year-end promotion and offer year-end discounts to encourage customers’ consumption. On the other hand, our software licence leasing, other services and sale of hardware devices are normally not subject to seasonality changes.

### SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that are significant to the preparation of our financial information. Our significant accounting policies, which are important for an understanding of our financial conditions and results of operations, are set forth in detail in Note 4 to the Accountants’ Report. Some of our accounting policies involve subjective assumptions and estimates as well as complex judgements relating to accounting items. In each case, the determination of these items requires management judgements based on information and financial data that may change in future

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## FINANCIAL INFORMATION

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periods. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects that period, or in the period of the revision and further periods if the revision affects both current and future periods. We had not experienced any material deviation between our management's estimate and actual results and had not changed these estimates during the Track Record Period. Our management does not expect any material change in these estimates in the foreseeable future.

### **Basis of combination**

The financial information of our Group incorporates the financial statements of the entities controlled by our Company and its subsidiaries. Control is achieved when our Company:

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

Our 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.

Combination of a subsidiary begins when our Group obtains control over the subsidiary and ceases when our Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year/period are included in the combined statements of profit or loss and other comprehensive income from the date our Group gains control until the date when our Group ceases to control the subsidiary and when necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with our Group's accounting policies.

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

### **Merger accounting for business combination involving entities under common control**

The financial information of our Group incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

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## FINANCIAL INFORMATION

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Our Group's revenue includes, separately or in combination, revenue from software licence sales and leasing, software upgrades and maintenance services, other services and sale of hardware devices.

### ***Software licence sales and sale of hardware devices***

Our revenue from software licence sales and sale of hardware devices is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- our Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- our 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 our Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### ***Software upgrades and maintenance services and other services***

Our revenue from software upgrades and maintenance services and other services is recognised when the services are provided.

### ***Multiple element arrangements***

Our Group offers certain arrangements whereby a customer can purchase our backup software products 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. The revenue relating to sales of goods or the service elements are recognised in profit or loss according to the policies set out above.

Where our 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, our 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.

### **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/period. Taxable profit differs from 'profit before tax' as reported in the combined statements of profit or loss and other comprehensive income because of income or expense that is taxable or deductible in other years and items that are never taxable or deductible. Our 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 combined statements of financial position and the corresponding tax base used in the



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## FINANCIAL INFORMATION

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computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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 our 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.

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 assets 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 rates (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 our Group expects, at the end of the reporting period, to cover 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, the objective of which is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax is 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.

### **CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying our Group's accounting policies which are described in Note 4 to the Accountants' Report, the management of our Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

We set out below the critical judgement in applying accounting policies, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.



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## FINANCIAL INFORMATION

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### **Critical judgement in applying accounting policies**

We set out below the critical judgement, apart from those involving estimations disclosed in “Key sources of estimation uncertainty” below in this section, that the management of our Group has made in the process of applying our Group’s accounting policies and that has the most significant effect on the amounts recognised in the financial information of our Group.

#### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management of our Group has reviewed our Group’s investment property portfolios and concluded that our Group’s investment properties are not held under a business model, the objective of which is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale for the years ended 31 December 2013 and 2014 and three months ended 31 March 2015.

Therefore, in measuring our Group’s deferred taxation on investment properties, the management of our Group has determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, our Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as at 31 December 2013, 31 December 2014 and 31 March 2015 as our Group is not subject to any income taxes on disposal of its investment properties.

### **Key sources of estimation uncertainty**

In the process of applying our Group’s accounting policies, the key sources of estimation uncertainty which have the most significant effect on the amounts recognised in the financial information of our Group are as follows:

#### *Useful lives and impairment assessment of property, plant and equipment*

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management’s estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets’ carrying values would be written down to the recoverable amounts and the amount of the impairment loss would be charged to profit or loss. The carrying amount of property, plant and equipment as at 31 December 2013, 31 December 2014 and 31 March 2015 was HK\$30.7 million, HK\$29.2 million and HK\$351,000, respectively.

#### *Fair value measurements and valuation processes*

Some of our Group’s assets are measured at fair value on recurring basis. In estimating the fair value of an asset, our Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, our Group engages third party qualified valuers to perform the valuation. Our Group uses valuation techniques that include inputs that are non-observable market data to estimate the fair value of certain types of financial instruments. Notes 17 and 29 to the Accountants’ Report provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets.

## FINANCIAL INFORMATION

### RESULTS OF OPERATIONS

The following table sets forth the selected financial information relating to our results of operations during the Track Record Period as extracted from the Accountants' Report:

#### Combined Statements of Profit or Loss and Other Comprehensive Income

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
<b>Continuing operation</b>				
Revenue .....	58,064	53,973	13,159	14,225
Cost of inventory sold .....	(189)	(143)	(7)	(10)
Other income .....	1,699	2,102	561	158
Other gains and losses .....	1,436	2,060	(1,425)	(755)
Staff costs and related expenses .....	(34,004)	(30,890)	(7,930)	(7,851)
Other expenses .....	(6,857)	(7,972)	(1,818)	(1,762)
Finance costs .....	(1,153)	(1,031)	(341)	(123)
Profit before tax from continuing operation .....	18,996	18,099	2,199	3,882
Income tax expense .....	(2,987)	(3,402)	(508)	(698)
Profit for the year/period from continuing operation .....	16,009	14,697	1,691	3,184
<b>Discontinued operation</b>				
Profit for the year/period from discontinued operation .....	13,015	3,770	3,598	2,626
<b>Profit for the year/period</b> .....	<u>29,024</u>	<u>18,467</u>	<u>5,289</u>	<u>5,810</u>
<b>Other comprehensive (expense) income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference arising on translation of a foreign subsidiary .....	—	(6)	(6)	7
Other comprehensive (expense) income for the year/period .....	—	(6)	(6)	7
Total comprehensive income for the year/period .....	<u>29,024</u>	<u>18,461</u>	<u>5,283</u>	<u>5,817</u>

The following discussion is based on our historical results from continuing operation and may not be indicative of our future operating performance.

#### Revenue

We generated revenue of approximately HK\$58.1 million, HK\$54.0 million and HK\$14.2 million for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

## FINANCIAL INFORMATION

### **Revenue breakdown**

During the Track Record Period, we derived our revenue from our backup software business consisting of: (i) software licence sales; (ii) software licence leasing; (iii) software upgrades and maintenance services; (iv) other services; and (v) sale of hardware devices. The following table sets forth our revenue stream breakdown of our backup software business during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014 (unaudited)		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Software licence sales . . . . .	14,834	25.6	9,100	16.9	2,184	16.6	2,742	19.3
Software licence leasing . . . . .	21,146	36.4	21,479	39.8	5,278	40.1	5,439	38.2
Software upgrades and maintenance services . . . . .	20,000	34.4	21,945	40.7	5,280	40.1	5,710	40.1
Other services . . . . .	1,858	3.2	1,277	2.4	366	2.8	316	2.3
Sale of hardware devices . . . . .	226	0.4	172	0.2	51	0.4	18	0.1
<b>Total . . . . .</b>	<b>58,064</b>	<b>100.0</b>	<b>53,973</b>	<b>100.0</b>	<b>13,159</b>	<b>100.0</b>	<b>14,225</b>	<b>100.0</b>

We derived our revenue from the following sources:

#### *Software licence sales and leasing*

##### *Software licence sales*

Our customers who intend to own our backup software products perpetually may purchase our backup software products at a one-off purchase price through the Internet on our sales websites. Our revenue is derived from the fees paid by our customers for purchasing our backup software products.

##### *Software licence leasing*

Our customers who intend to use our Ahsay™ Backup Software on a pay-as-you-go basis may lease our Ahsay™ Backup Software through the Internet on our sales website at [www.ahsay.com](http://www.ahsay.com). Our customers, such as IT consultants, web hosting companies, telecommunications companies and MSPs, provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software. Where our Group leases our Ahsay™ Backup Software to such customers, the monthly license fees are settled directly by such customers instead of their respective customers. Our revenue is derived from the monthly usage consumed by our customers for leasing our Ahsay™ Backup Software.

#### *Software upgrades and maintenance services*

Our customers who purchase our backup software products are entitled to our complimentary software upgrades and maintenance services (i) within the first year from the date of activation of each Ahsay™ Backup Software licence; and (ii) at any time after activation of each CloudBacko Backup Software licence. Upon expiry of the one-year complimentary maintenance period for our Ahsay™ Backup Software, our customers may continue to enjoy our software upgrades and maintenance services subject to an annual fee by making orders through the Internet on our sales website at [www.ahsay.com](http://www.ahsay.com). Our revenue is derived from the fees paid by our customers for software upgrades and maintenance services for our Ahsay™ Backup Software.

#### *Other services*

We offer services relating to our backup software products, which include mainly the Rebranding Option and the provision of technical support services. Our customers may order such services through the Internet on our sales websites. Our revenue is derived from the fees paid by our customers for such services. We also provide storage services for data backup to certain customers in Hong Kong, however, such revenue was diminishing and considered immaterial as compared to our total revenue during the Track Record Period.

## FINANCIAL INFORMATION

### *Sale of hardware devices*

We sell hardware devices together with our Ahsay™ Backup Software as a package to our Hong Kong customers. Such hardware devices are not available to overseas customers as specific modification and configuration are needed for each customer. As such, our sale of hardware devices is not conducted through our online sales websites, and our Hong Kong customers for our sale of hardware devices are approached by our sales representatives. Our revenue is derived from the payments from our Hong Kong customers for the purchase of hardware devices together with our backup software products from us.

### **Revenue breakdown by geographical location**

During the Track Record Period, substantially all of our backup software products and services were sold to or ordered by our customers through the Internet on our sales websites. We derive our revenue from customers from different countries. The following table sets forth a geographic breakdown of our revenue during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000 (unaudited)	%	HK\$'000	%
United States (Note 1) . . . . .	10,877	18.7	10,498	19.5	2,632	20.0	3,128	22.0
Netherlands (Note 1) . . . . .	5,669	9.8	5,282	9.8	1,287	9.8	1,538	10.8
United Kingdom (Note 1) . . . . .	4,957	8.5	5,040	9.3	1,242	9.4	1,242	8.7
Sweden (Note 1) . . . . .	4,723	8.1	4,745	8.8	1,162	8.8	1,215	8.5
Denmark (Note 1) . . . . .	3,913	6.7	3,291	6.1	820	6.2	844	5.9
Canada (Note 1) . . . . .	2,949	5.1	2,901	5.4	708	5.4	615	4.3
Hong Kong (Note 1) . . . . .	2,816	4.8	2,595	4.8	917	7.0	616	4.3
Others (Note 2) . . . . .	22,160	38.3	19,621	36.3	4,391	33.4	5,027	35.5
	<u>58,064</u>	<u>100.0</u>	<u>53,973</u>	<u>100.0</u>	<u>13,159</u>	<u>100.0</u>	<u>14,225</u>	<u>100.0</u>

Notes:

(1) Represent countries which individually contributing more than 4.5% of the total revenue of our Group for any of the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015.

(2) For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue generated from customers located in the PRC amounted to approximately HK\$2.1 million, HK\$393,000 and HK\$55,000, respectively, representing approximately 3.6%, 0.7% and 0.4% of our revenue during the same periods, respectively.

### **Cost of inventory sold**

During the Track Record Period, we procured hardware devices for our revenue stream of sale of hardware devices. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our revenue from sale of hardware devices was minimal, which amounted to approximately HK\$226,000, HK\$172,000 and HK\$18,000, respectively, representing approximately 0.4%, 0.2% and 0.1%, respectively, of the revenue from our continuing operation for the corresponding periods.

We incurred cost of inventory sold in relation to our revenue stream of sale of hardware devices, which comprised the cost of hardware devices. Our cost of inventory sold amounted to approximately HK\$189,000, HK\$143,000 and HK\$10,000 for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

## FINANCIAL INFORMATION

### Gross profit

Due to the nature of our Group's business, we have minimal cost of inventory sold and hence have no meaningful gross profit.

### Other income

Our other income primarily comprised (i) management income from related parties; (ii) interest income from related parties; and (iii) financial guarantee income. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our other income amounted to approximately HK\$1.7 million, HK\$2.1 million and HK\$158,000, respectively.

### Other gains and losses

Our other gains and losses primarily represented changes in fair value of held for trading investments. For the years ended 31 December 2013 and 2014, our other gains net in the amount of approximately HK\$1.4 million and HK\$2.1 million, respectively. For the three months ended 31 March 2015, our other losses net in the amount of approximately HK\$755,000.

### Staff costs and related expenses

Our staff costs and related expenses were the major expenditure item of our Group during the Track Record Period and primarily comprised salaries, performance bonuses, directors' fees, MPF contributions, directors' quarters and other staff welfare. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our staff costs and related expenses amounted to approximately HK\$34.0 million, HK\$30.9 million and HK\$7.9 million, respectively, representing approximately 58.6%, 57.2% and 55.2%, respectively, of our revenue for the corresponding periods.

All of our backup software products are developed by our in-house R&D team in Hong Kong. To satisfy the needs of our customers and the end-users, our Group continuously improves and upgrades our backup software products. During the Track Record Period, we have developed several upgrade versions for our Ahsay™ Backup Software. Our Group releases modified version and new features for our backup software products almost every year. Expenditure related to the development of the modified version and new features of our backup software products, if capitalised, would be amortised to the profit or loss within a year.

In addition, our in-house R&D team is responsible not only for carrying out the R&D activities, but also for providing maintenance services to our existing customers. We did not maintain a record on time spent by our R&D team on these two different tasks. As the cost of R&D expenditure cannot be reliably determined, it is included as part of the staff costs.

The following table sets forth a breakdown of our staff costs and related expenses by type during the Track Record Period:

	For the year ended 31 December				For the three months ended 31 March			
	2013		2014		2014 (unaudited)		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Salaries .....	26,540	78.0	24,281	78.6	6,318	78.7	6,521	83.1
Performance bonuses .....	4,901	14.4	4,087	13.2	1,022	12.9	800	10.2
Directors' fees .....	—	0.0	160	0.5	—	0.0	66	0.8
MPF contributions .....	838	2.5	758	2.5	185	2.3	209	2.7
Directors' quarters .....	1,320	3.9	1,320	4.3	330	4.2	330	4.2
Other staff welfare .....	405	1.2	284	0.9	75	0.9	(75)	(1.0)
<b>Total .....</b>	<b>34,004</b>	<b>100.0</b>	<b>30,890</b>	<b>100.0</b>	<b>7,930</b>	<b>100.0</b>	<b>7,851</b>	<b>100.0</b>

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## FINANCIAL INFORMATION

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### Other expenses

Our other expenses primarily comprised depreciation, advertising and marketing, merchant credit card charges and other regular office expenses such as utilities. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our other expenses amounted to approximately HK\$6.9 million, HK\$8.0 million and HK\$1.8 million, respectively, representing approximately 11.8%, 14.8% and 12.4%, respectively, of our revenue for the corresponding periods.

### Finance costs

Finance costs represented interest expenses on bank borrowings and overdrafts and interests paid to related parties. For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our finance costs amounted to approximately HK\$1.2 million, HK\$1.0 million and HK\$123,000, respectively.

### Income tax expense

Income tax expense primarily comprised provision for Hong Kong profits tax and deferred income tax expenses. Our Company and its subsidiaries were incorporated in different jurisdictions, with different taxation requirements illustrated as follows:

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

Our Group is subject to Hong Kong Profits Tax at a rate of 16.5% for the Track Record Period.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of PRC subsidiary is 25% for the Track Record Period.

Our effective tax rates for our continuing operation were approximately 15.7%, 18.8% and 18.0% for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, respectively.

The effective tax rate for our continuing operation for the year ended 31 December 2013 of approximately 15.7% was slightly lower than the standard tax rate of Hong Kong of 16.5% as the unrealised fair value gain of trading securities is not subject to tax.

The effective tax rate for our continuing operation for the year ended 31 December 2014 of approximately 18.8% was slightly higher than the standard tax rate of Hong Kong of 16.5% as no deferred tax assets has been recognised for unused tax losses from CloudBacko HK, CloudBacko BVI and Ahsay CQ.

The effective tax rate for our continuing operation for the three months ended 31 March 2015 of approximately 18.0% was slightly higher than the standard tax rate of Hong Kong of 16.5% as no deferred tax assets has been recognised for unused tax losses from CloudBacko HK, CloudBacko BVI and Ahsay CQ.

Our Directors have confirmed that we have made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. We are not subject to any dispute or potential dispute with any tax authorities.



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## FINANCIAL INFORMATION

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### REVIEW OF HISTORICAL OPERATING RESULTS

#### Three months ended 31 March 2015 compared to three months ended 31 March 2014

##### Continuing operation

##### *Revenue*

Our revenue increased by approximately HK\$1.1 million, or approximately 8.1% from approximately HK\$ 13.2 million for the three months ended 31 March 2014 to approximately HK\$ 14.2 million for the three months ended 31 March 2015. The increase was attributable to the increases in revenue from software licence sales and leasing and software upgrades and maintenance services of approximately HK\$ 719,000 and HK\$430,000, respectively, which was offset by the decreases in revenue from other services and sale of hardware devices of approximately HK\$50,000 and HK\$33,000, respectively.

##### Software licence sales and leasing

Our revenue from software licence sales and leasing increased by approximately HK\$719,000, or approximately 9.6% from approximately HK\$7.5 million for the three months ended 31 March 2014 to approximately HK\$8.2 million for the three months ended 31 March 2015. The increase was consistent with the increase of marketing and advertising effort in promoting our Group's products and services compared with 2014.

##### Software upgrades and maintenance services

Our revenue from software upgrades and maintenance services increased by approximately HK\$430,000, or approximately 8.1% from approximately HK\$5.3 million for the three months ended 31 March 2014 to approximately HK\$5.7 million for the three months ended 31 March 2015. The increase was a general growth of using our software upgrades and maintenance services after purchase of software licences.

##### Other services

Our revenue from other services decreased by approximately HK\$50,000, or approximately 13.7% from approximately HK\$366,000 for the three months ended 31 March 2014 to approximately HK\$316,000 for the three months ended 31 March 2015. The decrease was mainly attributable to lack of one-off service for the three months ended 31 March 2015.

##### Sale of hardware devices

Our revenue from sale of hardware devices decreased by approximately HK\$33,000, or approximately 64.7% from approximately HK\$51,000 for the three months ended 31 March 2014 to approximately HK\$18,000 for the three months ended 31 March 2015. The decrease was mainly attributable to less user to request our hardware bundle, which is not our product focus.

##### *Cost of inventory sold*

Our cost of inventory sold increased by approximately HK\$3,000, or approximately 42.9% from approximately HK\$7,000 for the three months ended 31 March 2014 to approximately HK\$10,000 for the three months ended 31 March 2015.

##### *Other income*

Our other income decreased by approximately HK\$403,000, or approximately 71.8% from approximately HK\$561,000 for the three months ended 31 March 2014 to approximately HK\$158,000



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## FINANCIAL INFORMATION

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for the three months ended 31 March 2015. The decrease was mainly attributable to no management fee was received upon cessation of management service provided to connected parties during the three months ended 31 March 2015.

### ***Other gains and losses***

Our other net losses decreased by approximately HK\$670,000, or approximately 47.0% from approximately HK\$1.4 million for the three months ended 31 March 2014 to approximately HK\$755,000 for the three months ended 31 March 2015, which mainly represented change in fair value of held for trading investments. The decrease in net losses was mainly attributable to less decrease in fair value of held for trading investments (which were equity securities listed in Hong Kong), which is measured at mark to market.

### ***Staff costs and related expenses***

Our staff costs and related expenses decreased by approximately HK\$79,000, or approximately 1.0% from approximately HK\$7,930,000 for the three months ended 31 March 2014 to approximately HK\$7,851,000 for the three months ended 31 March 2015.

### ***Other expenses***

Our other expenses decreased by approximately HK\$56,000, or approximately 3.1% from approximately HK\$1,818,000 for the three months ended 31 March 2014 to approximately HK\$1,762,000 for the three months ended 31 March 2015. The decrease was mainly attributable to one-off office repair expense in the three months ended 31 March 2014, which is not incurred in the same period of 2015.

### ***Finance costs***

Our finance costs decreased by approximately HK\$218,000, or approximately 63.9% from approximately HK\$341,000 for the three months ended 31 March 2014 to approximately HK\$123,000 for the three months ended 31 March 2015. The decrease was mainly attributable to repayment of mortgage loan from disposal of an investment property completed in July 2014.

### ***Income tax expenses***

Our income tax expense increased by approximately HK\$190,000, or approximately 37.4% from approximately HK\$508,000 for the three months ended 31 March 2014 to approximately HK\$698,000 for the three months ended 31 March 2015. The increase was mainly attributable to the increase in profits from our continuing operation.

### ***Profit for the period from our continuing operation***

Our net profit from our continuing operation increased by approximately HK\$1.5 million, or approximately 88.3%, from approximately HK\$1.7 million for the three months ended 31 March 2014 to approximately HK\$3.2 million for the three months ended 31 March 2015. The increase in net profit from our continuing operation was mainly attributable to increase in revenue and the decrease in the fair value loss of the held for trading investments, which were equity securities listed in Hong Kong.

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## FINANCIAL INFORMATION

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### **Profit for the period from our discontinued operation**

Our net profit from our discontinued operation decreased by approximately HK\$972,000, or approximately 27.0%, from approximately HK\$3.6 million for the three months ended 31 March 2014 to approximately HK\$2.6 million for the three months ended 31 March 2015. The decrease in net profit from our discontinued operation was mainly attributable to the significant drop in the recognition of the increase of fair value of investment properties.

### **Profit for the period**

In light of the foregoing, our net profit increased by approximately HK\$521,000, or approximately 9.9%, from approximately HK\$5.3 million for the three months ended 31 March 2014 to approximately HK\$5.8 million for the three months ended 31 March 2015. The increase in net profit was mainly attributable to increase in revenue and the decrease in the fair value loss of the held for trading investments, which were equity securities listed in Hong Kong.

### **Year ended 31 December 2014 compared to year ended 31 December 2013**

#### **Continuing operation**

##### ***Revenue***

Our revenue decreased by approximately HK\$4.1 million, or approximately 7.0% from approximately HK\$58.1 million for the year ended 31 December 2013 to approximately HK\$54.0 million for the year ended 31 December 2014. The decrease was attributable to the decreases in revenue from software licence sales and leasing of approximately HK\$5.4 million, resulting from the slowing down of business volume from the PRC, Ireland, Denmark and the Netherlands. Such decrease was offset by the increase in revenue from software upgrades and maintenance services of approximately HK\$1.9 million.

##### Software licence sales and leasing

Our revenue from software licence sales and leasing decreased by approximately HK\$5.4 million, or approximately 15.0% from approximately HK\$36.0 million for the year ended 31 December 2013 to approximately HK\$30.6 million for the year ended 31 December 2014. The decrease was mainly attributable to (i) the making of less marketing efforts in the PRC market during the year ended 31 December 2014. Our revenue generated from the PRC market dropped from HK\$2.1 million in 2013, representing approximately 3.6% of our total revenue in 2013, to HK\$0.4 million in 2014, representing approximately 0.7% of our total revenue in 2014, as a result of the departures of 2 sales team members in the end of 2013 and our strategy to focus primarily on international markets. As we believe additional resources and support infrastructure are required to expand our share in the PRC market, we had temporarily reduced our marketing efforts in the PRC starting in 2014. As our revenue generated from PRC customers contributed an insignificant amount of our Group's revenue during the Track Record Period, and our Directors considered that our previous marketing efforts and resources place in the PRC market were not cost effective, our Directors may consider adopting new marketing strategies for the PRC market upon the Listing; (ii) the acquisition by one of our top 5 customers in Ireland of another customer of our Group in Norway in 2014, such Norwegian customer owned an inventory of un-utilised licence keys, which reduced the demand for purchase of our Ahsay™ Backup Software from us by such Ireland customer in 2014. Such customer in Ireland did not purchase any software licence of our major Ahsay™ Backup Software from us in year ended 31 December 2014 and the three months ended 31 March 2015; however, revenue generated from such customer in respect of software upgrades and maintenance services amounted to HK\$576,000 and HK\$158,000, respectively, representing approximately 1.1% and 1.1% of our total revenue from continuing operation for the year ended 31 December 2014 and the three months ended 31 March 2015, respectively. As such Irish customer had been maintaining business relationship with us for over 8 years and the replacement costs of users are higher than the costs of software upgrades and

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## FINANCIAL INFORMATION

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maintenance services, our Directors are of the opinion that such Irish customer will continue to purchase our backup software products in the future and the consolidation of such customers in Ireland and Norway will solidify our customer base and will not have any long-term adverse impact on our revenue; and (iii) the change from leasing to purchasing licences by certain customers in the markets of Denmark and the Netherlands in 2013, such that we only received fees for software upgrades and maintenance from such customers in 2014 and such fees were less than the fees for leasing and the purchase price we received from such customers in 2013. Such purchases of licences were recorded as revenue in 2013 and are considered as one-off transactions, as ownerships to our Ahsay™ backup software licences pass to customers after purchases. Any subsequent revenue from purchased licences will consist of only annual fee for software upgrades and maintenance services, which is less than the leasing rate on an annual basis. For details of the prices, rates and fees of our major software products, please refer to the section headed “Business — Our Products and Services — Prices and rates of our major software products, and the annual fees for our software upgrades and maintenance services” in this prospectus. The overall decrease in revenue from software licence sales and leasing in 2014 was offset by the increase in revenue from software upgrades and maintenance services of approximately HK\$1.9 million.

Our Directors are of the view that all of the reasons set forth above, which resulted in a decrease in revenue in 2014, are of a one-off basis and will not have a continuous adverse impact on our revenue in the future.

### Software upgrades and maintenance services

Our revenue from software upgrades and maintenance services increased by approximately HK\$1.9 million, or approximately 9.7% from approximately HK\$20.0 million for the year ended 31 December 2013 to approximately HK\$21.9 million for the year ended 31 December 2014. The increase represented generic growth of using our software upgrades and maintenance services after purchase of software licences.

### Other services

Our revenue from other services decreased by approximately HK\$581,000, or approximately 31.3% from approximately HK\$1.9 million for the year ended 31 December 2013 to approximately HK\$1.3 million for the year ended 31 December 2014. The decrease was mainly attributable to less customer purchased our Rebranding Options, which is in line with the decrease in software licence sales and leasing.

### Sale of hardware devices

Our revenue from sale of hardware devices decreased by approximately HK\$54,000, or approximately 23.9% from approximately HK\$226,000 for the year ended 31 December 2013 to approximately HK\$172,000 for the year ended 31 December 2014. The decrease was mainly attributable to less demand for our all-in-one package of software and hardware. As the sale of hardware devices is not our core business, no further sale enforce was deployed despite the decrease in sales.

### **Cost of inventory sold**

Our cost of inventory sold decreased by approximately HK\$46,000, or approximately 24.3% from approximately HK\$189,000 for the year ended 31 December 2013 to approximately HK\$143,000 for the year ended 31 December 2014. The decrease is largely consistent with decrease in sale of hardware devices in the same period.

### **Other income**

Our other income increased by approximately HK\$403,000, or approximately 23.7% from approximately HK\$1.7 million for the year ended 31 December 2013 to approximately HK\$2.1 million

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## FINANCIAL INFORMATION

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for the year ended 31 December 2014. The increase was mainly attributable to increase in interest income from related parties.

### ***Other gains and losses***

Our other net gains increased by approximately HK\$624,000, or approximately 43.5% from approximately HK\$1.4 million for the year ended 31 December 2013 to approximately HK\$2.1 million for the year ended 31 December 2014, which mainly represented change in fair value of held for trading investments. The increase in net gain was mainly attributable to increase in fair value gain of held for trading investments.

### ***Staff costs and related expenses***

Our staff costs and related expenses decreased by approximately HK\$3.1 million, or approximately 9.2% from approximately HK\$34.0 million for the year ended 31 December 2013 to approximately HK\$30.9 million for the year ended 31 December 2014. The decrease was mainly attributable to decrease in headcount.

### ***Other expenses***

Our other expenses increased by approximately HK\$1.1 million, or approximately 16.3% from approximately HK\$6.9 million for the year ended 31 December 2013 to approximately HK\$8.0 million for the year ended 31 December 2014. The increase was mainly attributable to increase in the advertising and marketing expenses.

### ***Finance costs***

Our finance costs decreased by approximately HK\$122,000, or approximately 10.6% from approximately HK\$1.2 million for the year ended 31 December 2013 to approximately HK\$1.0 million for the year ended 31 December 2014. The decrease was mainly attributable to repayment of mortgage loan from the disposal of an investment property completed in July 2014.

### ***Income tax expense***

Our income tax expense increased by approximately HK\$415,000, or approximately 13.9% from approximately HK\$3.0 million for the year ended 31 December 2013 to approximately HK\$3.4 million for the year ended 31 December 2014. The increase was mainly attributable to (i) increase in tax losses not recognised mainly in Ahsay CQ, CloudBacko BVI and CloudBacko HK; (ii) non-taxable fair value gain on held for trading investments in 2013 was greater than 2014.

### ***Profit for the year from our continuing operation***

Our net profit from our continuing operation decreased by approximately HK\$1.3 million, or approximately 8.2%, from approximately HK\$16.0 million for the year ended 31 December 2013 to approximately HK\$14.7 million for the year ended 31 December 2014. The decrease in net profit from our continuing operation was mainly attributable to decrease in revenue which was net off by the decrease in staff costs and related expenses.

### ***Profit for the year from our discontinued operation***

Our net profit from our discontinued operation decreased by approximately HK\$9.2 million, or approximately 71.0%, from approximately HK\$13.0 million for the year ended 31 December 2013 to approximately HK\$3.8 million for the year ended 31 December 2014. The decrease in net profit from our discontinued operation was mainly attributable to the significant drop in the recognition of the fair value gain on investment properties due to the disposal of a property completed in July 2014.

## FINANCIAL INFORMATION

### Profit for the year

In light of the foregoing, our net profit decreased by approximately HK\$10.6 million, or approximately 36.4%, from approximately HK\$29.0 million for the year ended 31 December 2013 to approximately HK\$18.5 million for the year ended 31 December 2014. The decrease in net profit was mainly attributable to (i) the decrease in the profit from our discontinued operation, which was mainly due to the significant drop in the recognition of the fair value gain on investment properties due to the disposal of a property completed in July 2014; and (ii) a slight drop in revenue from our continuing operation of 7.0% due to slowing down of business volume from our customers in the PRC, Ireland, Denmark and the Netherlands.

### NET CURRENT ASSETS / LIABILITIES AND SELECTED ITEMS OF COMBINED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets, our current liabilities and selected items of our combined statements of financial position as at 31 December 2013, 31 December 2014, 31 March 2015 and 31 July 2015:

	As at 31 December		As at	As at
	2013	2014	31 March 2015	31 July 2015
	HK\$'000	HK\$'000	HK\$'000	(unaudited) HK\$'000
<b>CURRENT ASSETS</b>				
Inventories	3	—	59	116
Trade and other receivables	1,945	2,040	3,404	4,992
Amounts due from related parties	17,500	8,484	—	—
Loan to a related party	—	13,187	—	—
Tax recoverable	—	227	—	—
Held for trading investments	4,732	6,811	—	—
Bank balances and cash	18,020	11,865	1,622	40,296
	<u>42,200</u>	<u>42,614</u>	<u>5,085</u>	<u>45,404</u>
Assets held for sale	—	—	72,348	—
<b>Total current assets</b>	<u>42,200</u>	<u>42,614</u>	<u>77,433</u>	<u>45,404</u>
<b>CURRENT LIABILITIES</b>				
Rental deposits received and accruals	7,612	6,146	2,538	3,774
Advance from a related party	1,085	—	—	—
Amounts due to related parties	3,317	5,394	—	—
Financial guarantee liabilities	470	—	—	—
Tax payable	951	15	906	1,150
Deposits and fees received in advance	13,672	15,423	13,448	11,306
Bank overdrafts	—	—	377	—
Bank borrowings — due within one year	88,873	45,908	25,693	30,210
	<u>115,980</u>	<u>72,886</u>	<u>42,962</u>	<u>46,440</u>
Liabilities directly associated with assets held for sale	—	—	27,138	—
<b>Total current liabilities</b>	<u>115,980</u>	<u>72,886</u>	<u>70,100</u>	<u>46,440</u>
<b>NET CURRENT (LIABILITIES) ASSETS</b>	<u>(73,780)</u>	<u>(30,272)</u>	<u>7,333</u>	<u>(1,036)</u>

### Net current (liabilities) / assets

As at 31 December 2013 and 2014, we had net current liabilities of approximately HK\$73.8 million and HK\$30.3 million, respectively. The decrease was mainly attributable to our repayment of bank borrowings following our sale of an investment property in July 2014.

## FINANCIAL INFORMATION

As at 31 March 2015, we recorded net current assets of approximately HK\$7.3 million. The change was mainly attributable to reclassification of the leasehold land and buildings in the property investment business segment, being our discontinued operation, from non-current assets to current assets in view of the establishment of intention to sell them.

As at 31 July 2015, we had net current liabilities of approximately HK\$1.0 million. The reason for the decrease in current assets was mainly due to the payment of listing expenses of approximately HK\$8.7 million in the four months ended 31 July 2015, which reduced our current assets by the same amount and resulted in net current liabilities as at 31 July 2015.

Our Directors believe that with the expected steady growth in profit from the launch of version 7 of our Ahsay™ Backup Software and the net proceeds from the Placing, we therefore expect to maintain a net current assets position after the Listing.

### Trade and other receivables

The following table sets forth a breakdown of our trade and other receivables as at the end of each reporting period:

	<u>As at 31 December</u>		<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>31 March</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Trade receivables — aged within 30 days .....	1,583	1,901	1,944
Rental and utilities deposits .....	219	127	145
Prepaid operating expenses and other receivables .....	143	12	79
Prepaid listing expenses .....	—	—	1,236
	<u>1,945</u>	<u>2,040</u>	<u>3,404</u>
Trade receivable turnover days <sup>(Note)</sup> .....	9.5	11.8	12.2

Note: Trade receivables turnover days for the years ended 31 December 2013 and 2014 are calculated by the average balance of trade receivables, divided by revenue for the respective year, and multiplied by 365 days. For the three months ended 31 March 2015, trade receivables turnover days are calculated by the average of trade receivables, divided by revenue for the period and multiplied by 90 days. The average of trade receivables is the arithmetic mean of the opening and closing balances of trade receivables for the respective year/period.

Our Group's trade receivables comprised receivables from customers and credit card companies. Our Group's sales are generally made through the Internet and deposits and payment are normally required before delivery of our backup software products and hardware devices and provision of services. For our software licence leasing, which involves the charging of our customers monthly licence fees on a pay-as-you-go basis, our Group offers a credit period of 30 days to these customers. Where our Group leases our software licence to customers such as IT consultants, web hosting companies, telecommunications companies and MSPs, which provide IT and/or backup services to their respective customers by utilising our Ahsay™ Backup Software, the monthly licence fees are settled directly by such customers instead of their respective customers.

We only have a small trade receivables for our software licence leasing and we generally offer a credit period of 30 days to existing customers who lease our Ahsay™ Backup Software. Apart from those customers who lease our Ahsay™ Backup Software, we generally do not provide credit period and normally require full payment upon ordering.

Our trade receivables turnover days for the periods indicated over the Track Record Period were between 9.5 days to 12.2 days. Our trade receivables turnover days for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 were 9.5, 11.8 and 12.2 days, respectively. Our Directors believe that the receivables turnover days during the Track Record Period is within a reasonable range. The maturity period of our trade receivables is within 30 days. As at the Latest Practicable Date, no impairment allowance is necessary in respect of our trade receivables



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## FINANCIAL INFORMATION

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balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Our rental and utilities deposits mainly relate to deposit paid for office premises and investment properties. As at 31 December 2013, 31 December 2014 and 31 March 2015, our rental and utilities deposits were HK\$219,000, HK\$127,000 and HK\$145,000, respectively. The significant decrease in our rental and utilities deposits during the year ended 31 December 2014 was attributable to our disposal of an investment property in 2014.

We commenced the preparatory work for the Listing subsequent to 31 March 2015 and our prepaid listing expenses comprised engagement fees prepaid to professional parties involved in the Listing.

### Amounts due from related parties

The following table sets forth a breakdown of our amounts due from related parties as at the end of each reporting period:

<u>Related party</u>	<u>As at 31 December</u>		<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>31 March</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
Ahsay Corporation .....	9,300	—	—
Sau King .....	8,200	8,354	—
Million Trader .....	—	130	—
	<u>17,500</u>	<u>8,484</u>	<u>—</u>

As at 31 December 2013, our amounts due from related parties amounted to approximately HK\$17.5 million and comprised (i) amount due from Ahsay Corporation; and (ii) amount due from Sau King.

As at 31 December 2014, our amounts due from related parties amounted to approximately HK\$8.5 million and comprised (i) amount due from Sau King; and (ii) amount due from Million Trader. Our amounts due from related parties were significantly reduced to approximately HK\$8.5 million as at 31 December 2014 as Ahsay Corporation settled its amounts due to us during the year ended 31 December 2014.

As at 31 March 2015, all outstanding balances due from related parties were settled.

Each of Ahsay Corporation, Sau King and Million Trader are under common control of the Controlling Shareholders, and accordingly, are related parties of our Group.

The amount due from Ahsay Corporation was non-trade in nature, unsecured, carrying interest rate at 3.5% per annum and repayable on demand.

The amount due from Sau King was non-trade in nature, unsecured, carrying interest rate at 2.5% per annum and repayable on demand.

The amount due from Million Trader was non-trade in nature, unsecured, interest free and repayable on demand.

### Loan to a related party

During the year ended 31 December 2014, Ahsay HK advanced approximately HK\$13.2 million to Million Trader. The advance was unsecured, carrying interest rate at 3.5% per annum and repayable on demand.

As at 31 March 2015, the balance was settled in full.



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## FINANCIAL INFORMATION

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### Held for trading investments

Our held for trading investments increased from approximately HK\$4.7 million as at 31 December 2013 to approximately HK\$6.8 million as at 31 December 2014 and comprised equity securities listed in Hong Kong. As at 31 March 2015, we did not have any held for trading investments.

During the Track Record Period, our Group purchased certain listed equity securities as and when the management considered appropriate and in the interest of our Group to invest in such listed equity securities. Our Directors considered that investment in equity securities listed in Hong Kong should offer, on average, better return on the surplus cash than return on bank deposits. Our Group did not have any formal treasury and investment policy and strategy during the Track Record Period. In February 2015, our Group sold all listed equity securities held by us, and since then our Group has ceased to hold any listed equity securities as such investment was not part of the principal business activity of our Group.

Upon the Listing, our Group will adopt formal treasury and investment policy to control over the surplus cash investment and strengthen the investment risk management of our Group. The policy prohibits taking speculative positions, or the borrowing of funds for investment purposes. Each investment will be evaluated by the following criteria, listed in order of importance:

- Security — the relative risks involved with an investment vehicle;
- Liquidity — the ease and flexibility the investment can be bought, sold or converted into cash in large quantities without adversely affecting the assets' prices; and
- Return — the after tax equivalent yield of an investment.

All investment will be approved and monitored by Mr. Schubert Chong, the chief executive of our Group, and Mr. Bosco Chong, the finance director of our Company, both are fellow members of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants who have adequate experience in accounting and finance. Mr. Schubert Chong and Mr. Bosco Chong will be notified immediately if the market value of any investment instrument drops below 15% of the amortised value, the market value of the total portfolio drops below 15% of the total cost value, or any significant rating downgrade for any instrument. Our Board will review the investment policy of our Group from time to time and adjust the investment policy as and when appropriate.

### Bank balances and cash

Our bank balances and cash decreased from approximately HK\$18.0 million as at 31 December 2013 to approximately HK\$11.9 million as at 31 December 2014. The decrease was primarily due to interim dividend payout during the year ended 31 December 2014 and the repayment of bank borrowing due to disposal of an investment property in July 2014.

Our bank balances and cash decreased from approximately HK\$11.9 million as at 31 December 2014 to approximately HK\$1.6 million as at 31 March 2015. The decrease was primarily due to interim dividend payout.

### Assets held for sale

The increase of assets held for sales from 31 December 2014 to 31 March 2015 was mainly due to reclassification of leasehold land and buildings and investment properties in the disposal group of properties investment business from non-current assets to current assets in view of the establishment of intention to sell them pursuant to the Reorganisation.

## FINANCIAL INFORMATION

### Rental deposits received and accruals

The following table sets forth a breakdown of our rental deposits received and accruals as at the end of each reporting period:

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Rental deposits received .....	477	166	—
Rental income receipts in advance .....	62	88	—
Accrued staff costs and related expenses .....	6,494	5,308	2,076
Accrued operating expenses .....	579	584	462
	<u>7,612</u>	<u>6,146</u>	<u>2,538</u>

Our rental deposits received and accruals decreased from approximately HK\$7.6 million as at 31 December 2013 to approximately HK\$6.1 million as at 31 December 2014. The decrease was primarily due to the decrease in accrued staff costs and related expenses which is consistent with the decrease in our staff headcount.

Our rental deposits received and accruals further decreased from approximately HK\$6.1 million as at 31 December 2014 to approximately HK\$2.5 million as at 31 March 2015. The decrease was primarily due to the decrease in accrued staff costs and related expenses due to settlement of accrued performance bonus in January 2015.

### Advance from a related party

During the year ended 31 December 2013, Million Trader advanced approximately HK\$1.1 million to our Group. The advance was unsecured, carrying interest rate at 4% per annum and repayable on demand.

As at 31 December 2014, the advance was fully repaid.

### Amounts due to related parties

Our amounts due to related parties increased from approximately HK\$3.3 million as at 31 December 2013 to approximately HK\$5.4 million as at 31 December 2014 and represented advances from the Controlling Shareholders, which were non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 March 2015, the balance was settled in full.

### Deposits and fees received in advance

The following table sets forth a breakdown of our deposits and fees received in advance as at the end of each reporting period:

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Trade deposits from customers .....	2,920	2,234	1,661
Software upgrades and maintenance services fees received in advance .....	11,881	13,849	12,678
Other service fees received in advance .....	225	376	292
	<u>15,026</u>	<u>16,459</u>	<u>14,631</u>
Less: non-current portion .....	(1,354)	(1,036)	(1,183)
Current portion .....	<u>13,672</u>	<u>15,423</u>	<u>13,448</u>

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## FINANCIAL INFORMATION

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Deposits and fees received in advance mainly consists of software upgrades and maintenance services income received in advance, which represents the receipts in advance for our maintenance and updating services. Trade deposits from customers is mainly applicable to customers who lease our Ahsay™ Backup Software. We generally require such new customers to pay deposits before we grant them access to our Ahsay™ Backup Software.

Our deposits and fees received in advance increased from approximately HK\$13.7 million as at 31 December 2013 to approximately HK\$15.4 million as at 31 December 2014. The increase was primarily due to the increase in software upgrades and maintenance services fees received in advance and the increase in other service fees received in advance, partially offset by the decrease in trade deposits from customers. The increase is consistent with our increasing trend in revenue from software upgrades and maintenance services fees from the year ended 31 December 2013 to 31 December 2014.

Our deposits and fees received in advance decreased from approximately HK\$15.4 million as at 31 December 2014 to approximately HK\$13.4 million as at 31 March 2015. The decrease was primarily due to the decrease in software upgrades and maintenance services fees received in advance, the decrease in other service fees received in advance and the decrease in trade deposits from customers. Since our sales are seasonal and our fourth quarter sales accounted for over 33.3% of our annual sales, the decrease in deposits and fees received in advance from 31 December 2014 to 31 March 2015 is consistent with our seasonal sales pattern.

### **Bank borrowings — due within one year**

Our bank borrowings due within one year decreased from approximately HK\$88.9 million as at 31 December 2013 to approximately HK\$45.9 million as at 31 December 2014. The decrease was primarily due to the sale of an investment property and the repayment of the related bank borrowing.

Our bank borrowings due within one year decreased from approximately HK\$45.9 million as at 31 December 2014 to approximately HK\$25.7 million as at 31 March 2015. The decrease was primarily due to reclassification of certain bank borrowings related to the disposal group of properties investment business to liabilities directly associated with assets held for sale.

### **Liabilities directly associated with assets held for sale**

The increase of liabilities directly associated with assets held for sale from 31 December 2014 to 31 March 2015 was due to reclassification of mortgage loans or loans associated with assets held for sale in the disposal group of properties investment business to current assets in view of the establishment of intention to sell them pursuant to the Reorganisation.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Track Record Period, we principally financed our working capital and other liquidity requirements through a combination of cash and cash equivalents, bank borrowings, advance from a related party and amounts due to related parties.

In the past, our primary uses of cash were staff costs, various operating expenses, dividends and properties investment. We have financed our liquidity requirements primarily through cash generated from our operations and shareholders' capital contributions.

Going forward, we believe our liquidity requirements will be satisfied through a combination of the proceeds from the Placing and cash generated from operating activities. We will use part of the proceeds from the Placing to fulfil our capital needs for future expansion and, based on our current and anticipated levels of operations and conditions in the markets and industry, we believe that we can generate adequate cash from our operations to fund our ongoing operating cash needs and the

## FINANCIAL INFORMATION

continuing expansion of our business. See the section headed “Business Objectives and Future Plans — Reasons for the Placing and the Use of Proceeds” in this prospectus for further information.

### Cash flows

The following table sets forth a summary of our cash flows during the Track Record Period:

	For the year ended 31 December		For the three months ended 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Net cash from operating activities . . . . .	20,292	14,196	4,869
Net cash (used in) from investing activities . . . . .	(46,999)	45,224	28,204
Net cash from (used in) financing activities . . . . .	35,919	(65,569)	(43,700)
Net increase (decrease) in cash and cash equivalents . . . . .	9,212	(6,149)	(10,627)
Cash and cash equivalents at beginning of year/period . . . . .	8,808	18,020	11,865
Effect of foreign exchange rate changes . . . . .	—	(6)	7
Cash and cash equivalents at end of year/period . . . . .	<u>18,020</u>	<u>11,865</u>	<u>1,245</u>

### **Net cash from operating activities**

We derived our cash inflow from operating activities primarily through the receipt of payments from our backup software business. Our cash outflow from operating activities was primarily attributable to our staff costs and administrative expenses.

#### *Year ended 31 December 2013*

For the year ended 31 December 2013, we had net cash generated from operating activities of approximately HK\$20.3 million, mainly as a result of (i) profit for the year of approximately HK\$29.0 million which was primarily adjusted for income tax expenses of approximately HK\$3.2 million, depreciation of property, plant and equipment of approximately HK\$2.0 million, increase in fair value of investment properties of approximately HK\$12.2 million and interest expenses of approximately HK\$2.3 million; (ii) increase in held for trading investments of approximately HK\$1.3 million; (iii) increase in rental deposits received and accruals of approximately HK\$2.0 million; and (iv) income taxes paid of approximately HK\$3.5 million.

#### *Year ended 31 December 2014*

For the year ended 31 December 2014, we had net cash generated from operating activities of approximately HK\$14.2 million, mainly as a result of (i) profit for the year of approximately HK\$18.5 million which was primarily adjusted for income tax expenses of approximately HK\$3.6 million, depreciation of property, plant and equipment of approximately HK\$1.8 million, unrealised gains on change in fair value of held for trading investments of approximately HK\$2.1 million; increase in fair value of investment properties of approximately HK\$3.2 million and interest expenses of approximately HK\$2.0 million; (ii) decrease in rental deposits received and accruals of approximately HK\$1.6 million; and (iii) income taxes paid of approximately HK\$4.7 million.

#### *Three months ended 31 March 2015*

For the three months ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$4.9 million, mainly as a result of (i) profit for the period of approximately HK\$5.8 million which was primarily adjusted for increase in fair value of investment properties of approximately HK\$2.5 million; (ii) decrease in held for trading investments of approximately HK\$6.8

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## FINANCIAL INFORMATION

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million; (iii) decrease in rental deposits received and accruals of approximately HK\$3.0 million; and (iv) decrease in deposits and fees received in advance of approximately HK\$1.8 million.

### ***Net cash (used in) from investing activities***

Our investing activities primarily consisted of purchase of investment properties, proceeds from disposal of investment properties, loan to a related party, repayment of loan by a related party, advances to related parties and repayments by related parties.

#### *Year ended 31 December 2013*

For the year ended 31 December 2013, we had net cash used in investing activities of approximately HK\$47.0 million, which was primarily attributable to (i) purchase of investment properties of approximately HK\$42.5 million; and (ii) advances to related parties of approximately HK\$38.6 million. This was partially offset by (i) repayments by related parties of approximately HK\$29.4 million; and (ii) proceeds from disposal of investment properties of approximately HK\$4.6 million.

#### *Year ended 31 December 2014*

For the year ended 31 December 2014, we had net cash generated from investing activities of approximately HK\$45.2 million, which was primarily attributable to (i) proceeds from disposal of investment properties of approximately HK\$48.8 million; (ii) repayments by related parties of approximately HK\$10.4 million; and (iii) repayment of loan by a related party of approximately HK\$8.2 million. This was partially offset by loan to a related party of approximately HK\$21.4 million.

#### *Three months ended 31 March 2015*

For the three months ended 31 March 2015, we had net cash generated from investing activities of approximately HK\$28.2 million, which was primarily attributable to (i) repayment of loan by a related party of approximately HK\$13.2 million; (ii) repayments by related parties of approximately HK\$8.6 million; and (iii) proceeds from disposal of investment properties of approximately HK\$6.4 million.

### ***Net cash from (used in) financing activities***

Our financing activities primarily consisted of interest paid, dividend paid, bank borrowings raised, repayment of bank borrowings, advances from related parties and repayments to related parties.

#### *Year ended 31 December 2013*

For the year ended 31 December 2013, we had net cash generated from financing activities of approximately HK\$35.9 million, which was primarily attributable to (i) bank borrowings raised of approximately HK\$50.8 million; and (ii) advances from related parties of approximately HK\$2.7 million. This was partially offset by (i) repayment of bank borrowings of approximately HK\$12.1 million; (ii) interest paid of approximately HK\$2.3 million; and (iii) dividend paid of approximately HK\$2.0 million.

#### *Year ended 31 December 2014*

For the year ended 31 December 2014, we had net cash used in financing activities of approximately HK\$65.6 million, which was primarily attributable to (i) repayment of bank borrowings of approximately HK\$45.7 million; (ii) dividend paid of approximately HK\$21.6 million; (iii) interest paid of approximately HK\$2.0 million; and (iv) repayments to related parties of approximately HK\$2.9

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## FINANCIAL INFORMATION

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million. This was partially offset by (i) advances from related parties of approximately HK\$3.8 million; and (ii) bank borrowings raised of approximately HK\$2.7 million.

### *Three months ended 31 March 2015*

For the three months ended 31 March 2015, we had net cash used in financing activities of approximately HK\$43.7 million, which was primarily attributable to (i) dividend paid of approximately HK\$46.0 million; (ii) repayment of bank borrowings of approximately HK\$4.2 million; and (iii) repayments to related parties of approximately HK\$3.6 million. This was partially offset by bank borrowings raised of approximately HK\$10.0 million.

### **Sufficiency of working capital**

Taking into account our internal resources, our available banking facilities of approximately HK\$30.8 million as at 31 July 2015, our net cash generated from operating activities of approximately HK\$1.4 million for the seven months ended 31 July 2015, our Group's total bank balances and cash of approximately HK\$40.3 million as at 31 July 2015 and the estimated net proceeds from the Placing, our Directors are satisfied, after due and careful inquiry, that we have sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

### **Indebtedness**

At the close of business on 31 July 2015, being the latest practicable date on which such information was available to us, our Group had outstanding variable-rate bank borrowings of approximately HK\$30.2 million. The effective contractual interest rate was 3.7% per annum offered by the bank for the month ended 31 July 2015. Bank borrowings amounted to HK\$30.2 million were unsecured and guaranteed by the Directors and related companies. Such guarantee will be released and replaced by a corporate guarantee provided by our Company upon the Listing. Save as aforesaid or as otherwise disclosed in this prospectus, we did not have any loan capital issued and outstanding, and authorised or otherwise created but unissued, terms loans, bank overdrafts, liabilities under acceptances (other than normal trade bills), acceptable credits, finance lease commitments, guaranteed, unguaranteed, secured (whether the security is provided by our Group or by third parties) or unsecured borrowings and debt, mortgages, charges, guarantees or other material contingent liabilities at the close of business on 31 July 2015.

Our Directors have confirmed that we did not experience any withdrawal of facilities, default in payment of trade and other payables, bank borrowing or breach of financial covenants and had not experienced difficulties in meeting obligations during the Track Record Period and up to the Latest Practicable Date and none of our Group's bank borrowings and facilities are subject to the fulfilment of covenants relating to financial ratio requirements or any other material covenants which would adversely affect our Group's ability to undertake additional debt or equity financings.

### **Contingent liabilities**

Save as disclosed in Note 33 to the Accountants' Report, we did not have any other material contingent liabilities as at the end of each reporting period during the Track Record Period and as at 31 July 2015.

Our Directors have confirmed that there was no material adverse change in our Group's indebtedness and contingent liabilities since 31 July 2015, being the latest practicable date for determining our Group's indebtedness.

### **Property interests**

As at the Latest Practicable Date, we did not own any properties.



## FINANCIAL INFORMATION

### Capital commitments

As at 31 December 2013, 31 December 2014, 31 March 2015 and 31 July 2015, our Group did not have any significant capital commitment.

### Operating lease commitments

#### *Our Group as lessee:*

As at 31 December 2013, 31 December 2014 and 31 March 2015, our Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	<u>As at 31 December</u>		<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>31 March</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Within one year . . . . .	330	1,320	1,320
In the second to fifth year inclusive . . . . .	—	330	—
	<u>330</u>	<u>1,650</u>	<u>1,320</u>

Operating lease payments represent rentals payable by our Group for directors' quarters. Leases are negotiated and rentals are fixed for one to two years.

#### *Our Group as lessor:*

As at 31 December 2013, 31 December 2014 and 31 March 2015, our Group had commitments for future minimum lease receipts under non-cancellable operating leases in respect of our Group's investment properties under properties investment business (our discontinued operation) which fall due as follows:

	<u>As at 31 December</u>		<u>As at</u>
	<u>2013</u>	<u>2014</u>	<u>31 March</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>2015</u>
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Within one year . . . . .	2,352	1,457	935
In the second to fifth year inclusive . . . . .	1,941	663	257
	<u>4,293</u>	<u>2,120</u>	<u>1,192</u>

Operating lease receipts represent rentals receivable by our Group for certain of our investment properties. Leases are negotiated and rentals are fixed for one to five years.

### CAPITAL EXPENDITURE

Our capital expenditure for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 amounted to approximately HK\$46,028,000, HK\$225,000 and HK\$25,000, respectively, mainly comprising investment properties, furniture and office equipment purchase.

### SUMMARY OF KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 and should be read in conjunction with the Accountants' Report.



## FINANCIAL INFORMATION

### *Key financial ratios of our Group from continuing and discontinued operations*

	As at / For the year ended 31 December		As at / For the three months ended 31 March
	2013	2014	2015
Current ratio <sup>(1)</sup> .....	0.4 times	0.6 times	1.1 times
Gearing ratio <sup>(2)</sup> .....	1.9 times	1.0 times	7.4 times
Debt to equity ratio <sup>(3)</sup> .....	1.5 times	0.8 times	7.2 times
Interest coverage <sup>(4)</sup> .....	15.1 times	12.0 times	21.9 times
Return on assets <sup>(5)</sup> .....	17.4%	15.4%	29.7%
Return on equity <sup>(6)</sup> .....	60.3%	41.0%	330.4%

*Notes:*

- (1) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective year/period end.
- (2) Gearing ratio is calculated based on the interest-bearing liabilities divided by the total equity as at the respective year/period end.
- (3) Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity as at the respective year/period end.
- (4) Interest coverage is calculated by the profit before interest and tax divided by the finance costs as at the respective year/period end.
- (5) Return on assets for the years ended 31 December 2013 and 2014 is calculated by the profit for the full financial year divided by the total assets as at the respective year end and multiplied by 100%. For the three months ended 31 March 2015, the calculation of return on assets is based on the profit for the period divided by the total assets, multiplied by 12/3, and then multiplied by 100%.
- (6) Return on equity for the years ended 31 December 2013 and 2014 is calculated by the profit for the full financial year divided by the total equity as at the respective year end and multiplied by 100%. For the three months ended 31 March 2015, the calculation of return on equity is based on the profit for the period divided by the total equity, multiplied by 12/3, and then multiplied by 100%.

### *Key financial ratios of our Group from continuing operation*

	For the year ended 31 December		For the three months ended 31 March
	2013	2014	2015
Interest coverage <sup>(1)</sup> .....	17.5 times	18.5 times	32.6 times
Return on assets <sup>(2)</sup> .....	9.6%	12.3%	16.3%
Return on equity <sup>(3)</sup> .....	33.2%	32.6%	181.1%

*Notes:*

- (1) Interest coverage is calculated by the profit before interest and tax from continuing operation divided by the finance costs from continuing operation as at the respective year/period.
- (2) Return on assets for the years ended 31 December 2013 and 2014 is calculated by the profit from the continuing operation for the full financial year divided by the total assets as at the respective year end and multiplied by 100%. For the three months ended 31 March 2015, the calculation of return on assets is based on the profit from the continuing operation for the period divided by the total assets, multiplied by 12/3, and then multiplied by 100%.
- (3) Return on equity for the years ended 31 December 2013 and 2014 is calculated by the profit from the continuing operation for the full financial year divided by the total equity as at the respective year end and multiplied by 100%. For the three months ended 31 March 2015, the calculation of return on equity is based on the profit from the continuing operation for the period divided by the total equity, multiplied by 12/3, and then multiplied by 100%.

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## FINANCIAL INFORMATION

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### **Current ratio**

Our current ratio increased from 0.4 times as at 31 December 2013 to 0.6 times as at 31 December 2014 to 1.1 times as at 31 March 2015. The increase from 2013 to 2014 was primarily due to decrease in bank borrowings, as the amount of bank borrowing represents bank mortgage loans. The mortgage loans were repaid during the three months ended 31 March 2015. The increase in current ratio in 2015 was due to reclassification of our Group's investment properties from non-current assets to current assets compared with 2014.

### **Gearing ratio**

Our gearing ratio decreased to 1.0 times as at 31 December 2014 from 1.9 times as at 31 December 2013. The decrease was primarily due to the decrease in bank mortgage loans associated with disposal of a significant investment property for the year ended 31 December 2014. Our gearing ratio increased to 7.4 times as at 31 March 2015 from 1.0 times as at 31 December 2014 primarily due to decrease in equity as a result of the dividend payment in cash of approximately HK\$46.0 million during the three months ended 31 March 2015.

### **Debt to equity ratio**

Our debt to equity ratio decreased to 0.8 times as at 31 December 2014 from 1.5 times as at 31 December 2013. The decrease was primarily due to the decrease in bank mortgage loans associated with disposal of a significant investment property for the year ended 31 December 2014. Our debt to equity ratio increased to 7.2 times as at 31 March 2015 from 0.8 times as at 31 December 2014 primarily due to a decrease in bank and cash balance and equity, as a result of the dividend payment in cash of approximately HK\$46.0 million during the three months ended 31 March 2015.

### **Interest coverage from continuing operation**

Our interest coverage increased from 17.5 times for the year ended 31 December 2013 to 18.5 times for the year ended 31 December 2014. The increase was primarily due to the decrease in the finance costs for the year. The interest coverage increased from 18.5 times for the year ended 31 December 2014 to 32.6 times for the three months ended 31 March 2015. The increase was primarily due to the decrease in amount of interest resulting from the repayment of loans and decrease in bank borrowings.

### **Return on total assets from continuing operation**

Our return on total assets increased to 12.3% for the year ended 31 December 2014 compared to 9.6% for the year ended 31 December 2013. The increase was primarily due to decrease of total assets as at 31 December 2014 resulting from disposal of investment properties in 2014. The annualised return on total assets increased to 16.3% for the three months ended 31 March 2015 from 12.3% for the year ended 31 December 2014. The increase was mainly due to decrease of total assets as at 31 March 2015 resulting from disposal of held for trading investments and repayments from our related parties, with a significant dividend payment for the three months ended 31 March 2015.

### **Return on equity from continuing operation**

Our return on equity decreased to 32.6% for the year ended 31 December 2014 from 33.2% for the year ended 31 December 2013. The decrease was primarily due to decrease in profit from continuing operation for the year in 2014. The annualised return on equity increased to 181.1% for the three months ended 31 March 2015 from 32.6% for the year ended 31 December 2014. The increase was primarily due to decrease in equity, as a result of the payment of dividend.

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## FINANCIAL INFORMATION

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### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISKS

Our Group's activities expose us 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

Our Group is exposed to fair value interest rate risk in relation to fixed-rate amounts due from related parties and loan to (from) a related party. Our Group currently does not have interest rate hedging policy. However, our Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should such need arise.

Our Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, bank overdrafts and bank balances. Bank balances are with counterparties of high credit ranking; therefore, the risk of non-performance by the counterparties is considered negligible.

Our Group's exposures to interest rates on financial liabilities are detailed in "Quantitative and Qualitative Disclosures about Financial Risks – Liquidity risk" below in this section.

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

*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/period. 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, our Group's post-tax profit from continuing operation for the years ended 31 December 2013, 31 December 2014 and the three months ended 31 March 2015 would decrease/increase by approximately HK\$371,000, HK\$192,000 and HK\$27,000, respectively.

No sensitivity analysis is prepared for bank balances because in the opinion of the management of our Group, a reasonable possible change in interest rate will not have significant impact on the financial information of our Group during the Track Record Period.

(ii) Foreign currency risk

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

## FINANCIAL INFORMATION

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

	As at 31 December 2013		As at 31 December 2014		As at 31 March 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$ .....	51	—	71	1,187	89	—

### *Sensitivity analysis*

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

### (iii) Other price risk

Our Group is exposed to equity price risk mainly through its investment in listed equity securities. The management of our Group manages such exposure by maintaining a portfolio of investments with different risk and return profiles. Our Group's equity price risk is mainly concentrated on equity securities operating in gambling industry sector quoted on the Stock Exchange.

### *Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective listed equity securities had been 10% higher/lower, our Group's post-tax profit for the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015 would increase/decrease by approximately HK\$395,000, HK\$569,000 and nil, respectively.

### **Liquidity risk**

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents as well as undrawn banking facilities deemed adequate by the management of our Group to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management of our Group monitors the utilisation of bank borrowings and amounts due to directors and a related party.

## FINANCIAL INFORMATION

The following tables detail our 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 our Group can be required to pay.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operation:							
As at 31 December 2013							
<b>Non-derivative financial liabilities</b>							
Rental deposits received . . .	—	717	—	—	—	717	717
Amounts due to related parties . . . . .	—	3,317	—	—	—	3,317	3,317
Advance from a related party . . . . .	4	1,085	—	—	—	1,085	1,085
Bank borrowings . . . . .	2.83	88,873	—	—	—	88,873	88,873
Financial guarantee contract (Note) . . . . .	—	1,105	—	—	—	1,105	470
		<u>95,097</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,097</u>	<u>94,462</u>
As at 31 December 2014							
<b>Non-derivative financial liabilities</b>							
Rental deposits received . . .	—	306	—	—	—	306	306
Amounts due to related parties . . . . .	—	5,394	—	—	—	5,394	5,394
Bank borrowings . . . . .	2.74	45,908	—	—	—	45,908	45,908
		<u>51,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,608</u>	<u>51,608</u>
As at 31 March 2015							
<b>Non-derivative financial liabilities</b>							
Bank overdrafts . . . . .	5.25	379	—	—	—	379	377
Bank borrowings . . . . .	2.96	25,693	—	—	—	25,693	25,693
		<u>26,072</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,072</u>	<u>26,070</u>

Financial liabilities associated with assets held for sale:

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015							
<b>Non-derivative financial liabilities</b>							
Rental deposits received . . .	—	609	—	—	—	609	609
Bank borrowings . . . . .	2.54	26,042	—	—	—	26,042	26,042
		<u>26,651</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,651</u>	<u>26,651</u>

Note: The amount of HK\$1,105,000 included above for financial guarantee contract is the maximum amount that our Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

## FINANCIAL INFORMATION

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 at 31 December 2013, 31 December 2014 and 31 March 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$88.9 million, HK\$45.9 million and HK\$51.7 million, respectively. Taking into account our Group’s financial position, the management of our Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of our Group believes that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details our Group’s aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Continuing operation:</b>							
<b>Bank borrowings with repayment on demand clause</b>							
As at 31 December							
2013 .....	2.83	24,674	12,030	26,285	36,769	99,758	88,873
As at 31 December							
2014 .....	2.74	6,461	6,425	17,316	22,156	52,358	45,908
As at 31 March 2015 ..							
	2.96	<u>13,244</u>	<u>2,933</u>	<u>6,519</u>	<u>5,084</u>	<u>27,780</u>	<u>25,693</u>
	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
<b>Bank borrowings associated with assets held for sale with repayment on demand clause</b>							
As at 31 March 2015 .....							
	2.54	<u>3,225</u>	<u>3,225</u>	<u>9,675</u>	<u>13,755</u>	<u>29,880</u>	<u>26,042</u>

### Credit risk

Our 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 combined statements of financial position and the amount of contingent liabilities in relation to the financial guarantee provided by our Group as disclosed in Note 33 to the Accountants’ Report. Our Group’s credit risk is primarily attributable to our trade receivables, amounts due from related parties, loan to a related party and bank balances. Our Group has concentration of credit risk on the amounts due from related parties and loan to a related party, with details set out in Note 20(a) and (b) to the Accountants’ Report. In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, our Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance is made for irrecoverable amounts. In this regard, the management of our Group considers that our Group’s credit risk is significantly reduced. For the amounts due from related parties and loan to a

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## FINANCIAL INFORMATION

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related party, the management of our Group has considered their credit quality and, the balances were fully settled by 31 March 2015.

As at 31 December 2013, 31 December 2014 and 31 March 2015, there was no single customer contributing over 10% of the total trade receivables of our Group.

The credit risk on bank balances is limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2013, our Group was exposed to credit risk from a financial guarantee contract which may cause a financial loss to our Group due to failure to discharge an obligation by the counterparty. Details of financial guarantee provided by our Group are disclosed in Note 33 to the Accountants' Report.

The management of our Group periodically monitors the financial position of the related company to ensure it is financially viable to settle the banking facilities drawn from financial institutions.

### RELATED PARTY TRANSACTIONS

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 36 to the Accountants' Report. Our Directors are of the view that the related party transactions were conducted at arm's length and on normal commercial terms, and would not distort our results of operations over the Track Record Period or make our historical results over the Track Record Period not reflective of our expectations for our future performance.

### LISTING EXPENSES

Based on the Placing Price of HK\$0.20 per Placing Share, the listing expenses, which are non-recurrent in nature, are estimated to be approximately HK\$22.7 million, and will be borne by us.

Approximately HK\$7.7 million of our estimated listing expenses is directly attributable to the issue of the Placing Shares and is to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$15.0 million is expected to be charged to the combined statements of profit or loss and other comprehensive income. No listing expense was recognised in the combined statements of profit or loss and other comprehensive income for the three months ended 31 March 2015 (according to our audited financial statements as set out in Appendix I to this prospectus) and the listing expenses of approximately HK\$15.0 million is expected to be charged upon the Listing (according to our current estimation).

Our Directors would like to emphasise that the listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audit and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2015 would be materially and adversely affected by the listing expenses mentioned above.

### OFF-BALANCE SHEET ARRANGEMENTS

We did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. We do not engage in trading activities involving non-exchange traded contracts. In the course of our normal business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.



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## FINANCIAL INFORMATION

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### **DISTRIBUTABLE RESERVES**

As at 31 March 2015, the aggregate amount of distributable reserves available for distribution to our Shareholders was HK\$5.8 million.

### **DIVIDENDS**

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, our Group declared dividends of approximately HK\$2.0 million, HK\$21.6 million and HK\$46.0 million, respectively.

The dividends were declared to reward the then Shareholder's investments in our Group. Our Directors consider the level of distribution appropriate and in the best interests of our Group as the portion of the net profits attributable to our Shareholders retained is sufficient to support our Group's operations during the Track Record Period.

Our Board has absolute discretion as to whether to recommend for declaration of any dividend for any year end and if any, the amount of dividend and the means of payment. Any declaration of final dividend is subject to the applicable laws and regulations including the Companies Law, and our Articles which require also the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, among other things, our results of operations, cash flows and financial conditions, operating and capital requirements and other relevant factors. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Group in the future.

### **UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS**

Please see the section headed "Unaudited Pro Forma Statement of Adjusted Combined Net Tangible Assets" in Appendix II to this prospectus for details.

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, save as disclosed in the paragraphs headed "Summary — Our Latest Development" in this prospectus and "Listing Expenses" above in this section, since 31 March 2015 and up to the date of this prospectus, (i) there had been no material adverse change in the market conditions or the industry and environment in which we operate that materially and adversely affect our financial or operating position; (ii) there was no material adverse change in the trading and financial position or prospects of our Group; and (iii) no event had occurred that would materially and adversely affect the information shown in the Accountants' Report.

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## UNDERWRITING

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### UNDERWRITERS

#### *Joint Lead Managers*

Ping An Securities Limited  
Unit 02, 2/F  
China Merchants Building  
152-155 Connaught Road Central  
Hong Kong

V Baron Global Financial Services Limited  
18<sup>th</sup> Floor  
Prosperity Tower  
39 Queen's Road Central  
Hong Kong

#### *Underwriters*

Ping An Securities Limited  
Unit 02, 2/F  
China Merchants Building  
152-155 Connaught Road Central  
Hong Kong

V Baron Global Financial Services Limited  
18<sup>th</sup> Floor  
Prosperity Tower  
39 Queen's Road Central  
Hong Kong

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### **The Underwriting Agreement**

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with selected individual, professional, institutional and other investors in Hong Kong at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Underwriters have agreed to subscribe for or procure subscribers for the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

#### **Grounds for termination**

The Joint Lead Managers (for themselves and on behalf of the Underwriters) shall have the absolute right to terminate the arrangements set out in the Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (a) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the Cayman Islands, the BVI, the EU (or any member thereof), the United States, Canada or Australia (each a "Relevant Jurisdiction");
- (b) any material adverse change (whether or not permanent) in local, national or international stock market conditions;

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## UNDERWRITING

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- (c) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (d) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in any Relevant Jurisdiction;
- (e) any change in the business or in the financial or trading position of our Group or otherwise;
- (f) any change or development involving a prospective change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in any Relevant Jurisdiction;
- (g) a general moratorium on commercial banking business activities in any Relevant Jurisdiction declared by the relevant authorities; or
- (h) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases,

and which, in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (i) might be materially adverse to the business, financial conditions or prospects of our Group taken as a whole; or
- (ii) might have a material adverse effect on the success of the Placing or might have the effect of making any part of the Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
- (iii) makes it inadvisable or inexpedient to proceed with the Placing.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Lead Managers (for themselves and on behalf of the Underwriters):

- (a) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Underwriting Agreement which is considered, in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters), to be material in the context of the Placing; or
- (b) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus and the placing letter, would have constituted a material omission in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters) in the context of the Placing; or
- (c) any statement contained in this prospectus and the placing letter reasonably considered to be material by the Joint Lead Managers (for themselves and on behalf of the Underwriters) which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Underwriters) to be material in the context of the Placing; or
- (d) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, our Executive Directors and the Controlling Shareholders pursuant to the indemnities contained in the Underwriting Agreement,

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## UNDERWRITING

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the Joint Lead Managers (for themselves and on behalf of the Underwriters) shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Underwriting Agreement.

### **Undertakings under the Underwriting Agreement**

Under the Underwriting Agreement,

(a) (i) each of the Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters that, save as permitted under the GEM Listing Rules and pursuant to the Placing, he/she/it shall not and shall procure that the relevant registered holder(s) shall not:

(A) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date (the “First 6-Month Period”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any mortgage, charge, pledge, lien, option, restriction, claim, equity interest, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or another type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect (“Encumbrances”) in respect of any of the Shares which he/she/it is shown in this prospectus to be the beneficial owner(s); and

(B) in the period of six months commencing on the date immediately following the date on which the First 6-Month Period expires (the “Second 6-Month Period”), sell, dispose of, nor enter into any agreement to dispose of or otherwise create any Encumbrances in respect of, any of the Shares referred to in sub-paragraph (A) above if, immediately following such disposal or upon the exercise or enforcement of such Encumbrances, he/she/it would cease to be a Controlling Shareholder,

provided that the restrictions in sub-paragraph (A) above shall not apply to any Shares which the Controlling Shareholders or any of his/her/its respective associates may acquire or become interested in following the Listing Date;

(ii) each of the Controlling Shareholders undertakes to and covenants with our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters that:

(A) in the event that he/she/it pledges or charges any of his/her/its direct or indirect interest in the Shares referred to in sub-paragraph (a)(i)(A) above under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the relevant periods specified in paragraph (i) above, he/she/it must inform our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

(B) having pledged or charged any of his/her/its interests in the Shares under sub-paragraph (A) above, he/she/it must inform our Company, the Sole Sponsor, the Sole Bookrunner and the Underwriters immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares affected; and

(b) our Company undertakes to and covenants with the Sole Sponsor, the Sole Bookrunner and the Underwriters, and each of our Executive Directors and the Controlling Shareholders

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## UNDERWRITING

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jointly and severally undertakes to and covenants with the Sole Sponsor, the Sole Bookrunner and the Underwriters to procure that, save with the prior written consent of the Sole Sponsor and the Sole Bookrunner (for itself and on behalf of the Underwriters) (such consent not be unreasonably withheld or delayed), or save pursuant to the Capitalisation Issue, the Placing or the issue of Shares upon exercise of any of the options which may be granted under the Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:

- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed));
- (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company;
- (iii) purchase any securities of our Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

### **Undertakings by the Controlling Shareholders and our Company pursuant to the GEM Listing Rules**

#### ***Undertakings by the Controlling Shareholders***

In accordance with Rule 13.16A(1) of the GEM Listing Rules, the Controlling Shareholders have undertaken to the Stock Exchange and our Company that except as permitted under the GEM Listing Rules and pursuant to the Placing, he/she/it shall not, and shall procure that the relevant registered holder(s) shall not,

- (i) at any time during the First 6-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares which he/she/it is shown by this prospectus to be the beneficial owner(s); and
- (ii) at any time during the Second 6-Month Period, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a Controlling Shareholder.

The Controlling Shareholders have further undertaken to the Stock Exchange and our Company that he/she/it will, within a period commencing from the date of this prospectus and ending on the date which is 12 months from the Listing Date, immediately inform our Company of:

- (a) any pledges or charges of any Shares beneficially owned by him/her/it, whether directly or indirectly, in favour of any authorised institution pursuant to Rule 13.18(1) of the GEM Listing Rules, or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules and disclose the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
- (b) any indication received by him/her/it from any pledgee or chargee of any Shares pledged or charged that any of such Shares has been or will be disposed of and of the number of Shares affected.

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## UNDERWRITING

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### ***Undertaking by our Company***

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules which includes the issue of Shares pursuant to the Share Option Scheme.

### **Total commission, fee and expenses**

In connection with the Placing, the Sole Bookrunner acting on behalf of the Underwriters will receive an underwriting commission of 3.0% of the aggregate Placing Price of all the Placing Shares, which was negotiated and agreed between the Sole Bookrunner (for itself and on behalf of the Underwriters) and our Company on arm's length basis, out of which the Underwriters will pay any sub-underwriting commissions and selling concessions.

In connection with the Listing, the Sole Sponsor will receive a sponsor's fee.

In connection with the Listing and the Placing, the total expenses are estimated to be approximately HK\$22.7 million assuming the Placing Price of HK\$0.20 per Share (including underwriting commission amounting to approximately HK\$3.0 million, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship fee, the listing fee, legal and other professional fees, printing cost and other expenses relating to the Placing) which shall be borne by our Company.

Our Company has agreed to indemnify the Sole Sponsor, the Sole Bookrunner and the Underwriters for certain losses which they may suffer, including losses on the grounds of or otherwise arising out of or in connection with the due performance of their roles as agents of our Company in connection with the Placing, and any material breach by our Company of any of its obligations under the Underwriting Agreement.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 6A.07 of the GEM Listing Rules.

### **Sole Sponsor's, Sole Bookrunner's, Joint Lead Managers' and Underwriters' interests in our Company**

Save for their interests and obligations under the Underwriting Agreement and the sponsor's fee payable to the Sole Sponsor in respect of the Placing, none of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.

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## STRUCTURE AND CONDITIONS OF THE PLACING

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### PLACING PRICE

Subscribers, when subscribing for the Shares, shall pay the Placing Price of HK\$0.20 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Subscribers shall pay HK\$2,020.15 for every board lot of 10,000 Shares.

The level of indication of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ahsay.com.hk](http://www.ahsay.com.hk) at or before Wednesday, 7 October 2015.

### CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (a) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; and
- (b) the obligations of the Underwriters under the Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Bookrunner (for itself and on behalf of the Underwriters)), and such obligations not having been terminated in accordance with the terms of the Underwriting Agreement,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Sole Bookrunner (for itself and on behalf of the Underwriters) on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ahsay.com.hk](http://www.ahsay.com.hk) on the next business day after such lapse.

### THE PLACING

Our Company is offering 500,000,000 Placing Shares, representing 25% of the issued share capital of our Company upon completion of the Placing (without taking into account the Shares that may be allotted and issued upon exercise of options to be granted under the Share Option Scheme), for subscription by way of the Placing. The Placing Shares will be fully underwritten by the Underwriters pursuant to the Underwriting Agreement.

The Underwriters or agents nominated by it on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% with selected individual, professional, institutional and other investors in Hong Kong. Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell his/her/its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated in accordance with Rule 11.23(8) of the GEM Listing Rules such that not more than 50% of the Shares in public hands at the time of the Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any persons.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.



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## **STRUCTURE AND CONDITIONS OF THE PLACING**

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### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stockbroker or other professional advisers.

### **DEALING ARRANGEMENTS**

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. (Hong Kong time) on Thursday, 8 October 2015. The Shares will be traded in board lot of 10,000 Shares each.

The following is the text of a report, prepared for inclusion in this prospectus, received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.



德勤·關黃陳方會計師行  
香港金鐘道88號  
太古廣場一座35樓

Deloitte Touche Tohmatsu  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

25 September 2015

The Directors  
Ahsay Backup Software Development Company Limited

V Baron Global Financial Services Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to Ahsay Backup Software Development Company Limited (formerly known as Ahsay Cloud Backup Software Development Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the two years ended 31 December 2014 and the three months ended 31 March 2015 (the "Track Record Period") for inclusion in the prospectus of the Company dated 25 September 2015 in connection with the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Prospectus").

The Company, which acts as an investment holding company, was incorporated 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 on 10 April 2015. Pursuant to a group reorganisation, as more fully explained in the section head "History, Development and Reorganisation" to the Prospectus (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 1 June 2015.

## APPENDIX I

## ACCOUNTANTS' REPORT

All the companies now comprising the Group have adopted 31 December as their financial year end dates. At the date of this report, the Company has direct and indirect interests in the following subsidiaries comprising the Group:

Name of subsidiaries	Place of establishment/ incorporation	Date of establishment/ incorporation	Registered capital/ issued and fully paid-up share capital	Attributable equity interest held by the Group				Principal activities
				31 December 2013	2014	31 March 2015	At date of this report	
Ahsay Systems Corporation Limited ("Ahsay HK")	Hong Kong	29 November 1994	HK\$1,000,000	100%	100%	100%	100%	Investment holding and provision of online backup software solutions to clients via Internet
亞勢軟件(重慶)有限公司 Ahsay Systems Corporation (Chongqing) Limited ("Ahsay CQ")	The People's Republic of China ("PRC")	25 February 2013	RMB100,000	100%	100%	100%	100%	Sale of software
Alpha Heritage Holdings Limited ("Alpha Heritage")*	The British Virgin Island ("BVI")	10 March 2015	United States Dollars ("US\$") 1	N/A	N/A	100%	100%	Investment holding
Apex Ace Investments Limited ("Apex Ace")*	BVI	11 March 2015	US\$1	N/A	N/A	100%	100%	Investment holding
CloudBacko Limited ("CloudBacko HK")	Hong Kong	7 January 2014	HK\$200,000#	N/A	100%	100%	100%	Provision of online backup software solutions to clients via Internet
CloudBacko Corporation ("CloudBacko BVI")	BVI	2 January 2014	US\$10	N/A	100%	100%	100%	Provision of online backup software solutions to clients via Internet
Million Victory Investment Management Limited ("Million Victory")	Hong Kong	20 November 2012	HK\$10,000	100%	100%	100%	—	Property investment

\* 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 2014, the issued share capital of CloudBacko HK was HK\$10,000. During the three months ended 31 March 2015, 190,000 additional shares were issued for HK\$190,000. Upon the issuance of the additional shares, the issued share capital of CloudBacko HK became HK\$200,000.

No statutory financial statements have been prepared for the Company which was incorporated in the Cayman Islands and those subsidiaries which were incorporated in the BVI as they were incorporated in jurisdictions where there are no statutory audit requirements. We have, however, reviewed all relevant transactions of Alpha Heritage and Apex Ace since their respective dates of incorporation and carried out such procedures as we considered necessary for inclusion of their financial information in the Prospectus.

The statutory financial statements of Ahsay HK and Million Victory for the years ended 31 December 2013 and 2014 were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and were audited by Tommy Ng & Company, Certified Public Accountants. The statutory financial statements of CloudBacko HK for the period from 7 January 2014 (date of incorporation) to 31 December 2014 were prepared in accordance with the Small and Medium-sized Entity Financial Reporting Standards issued by the HKICPA and were audited by Talent Partners CPA Limited, Certified Public Accountants.

The statutory financial statements of Ahsay CQ for the period from 25 February 2013 (date of establishment) to 31 December 2013 and the year ended 31 December 2014 were prepared in accordance with relevant accounting principles and financial regulations applicable to enterprises registered in the PRC and were audited by Chongqing Tong Guan Certified Public Accountants registered in the PRC.

For the purpose of this report, the directors of Ahsay HK and CloudBacko HK have prepared the consolidated financial statements of Ahsay HK and its subsidiaries, and the financial statements of CloudBacko HK for the Track Record Period, or since their respective dates of incorporation where this is a short period, in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA (the “HKFRS Financial Statements”). We have carried out independent audits on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the HKFRS Financial Statements and the management accounts of CloudBacko BVI, Alpha Heritage and Apex Ace for the periods from their respective dates of incorporation to 31 March 2015 (collectively referred to as the “Underlying Financial Statements”) in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period as set out in this report has been prepared from the Underlying Financial Statements on the basis of presentation set out in note 2 to Section A below. No adjustments are considered necessary to adjust the Underlying Financial Statements in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of respective subsidiaries who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the financial position of the Group as at 31 December 2013 and 2014 and 31 March 2015, and of the financial performance and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three months ended 31 March 2014 together with the notes thereon have been extracted from the unaudited combined financial information for the same period (the “Interim Financial Information”) which was prepared by the directors of the Company solely for the purpose of this report. We have conducted our review of the Interim Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. Our review of the Interim Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified

in an audit. Accordingly we do not express an audit opinion on the Interim Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform to HKFRSs.

## A. FINANCIAL INFORMATION

## COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		Three months ended 31 March	
		2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
<b>Continuing operation</b>					
Revenue .....	6	58,064	53,973	13,159	14,225
Cost of inventory sold .....		(189)	(143)	(7)	(10)
Other income .....	7	1,699	2,102	561	158
Other gains and losses .....	8	1,436	2,060	(1,425)	(755)
Staff costs and related expenses .....		(34,004)	(30,890)	(7,930)	(7,851)
Other expenses .....		(6,857)	(7,972)	(1,818)	(1,762)
Finance costs .....	9	(1,153)	(1,031)	(341)	(123)
Profit before tax from continuing operation .....		18,996	18,099	2,199	3,882
Income tax expense .....	10	(2,987)	(3,402)	(508)	(698)
Profit for the year/period from continuing operation .....	12	16,009	14,697	1,691	3,184
<b>Discontinued operation</b>					
Profit for the year/period from discontinued operation .....	11	13,015	3,770	3,598	2,626
<b>Profit for the year/period</b> .....		29,024	18,467	5,289	5,810
<b>Other comprehensive (expense) income</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference arising on translation of a foreign subsidiary .....		—	(6)	(6)	7
Other comprehensive (expense) income for the year/ period .....		—	(6)	(6)	7
Total comprehensive income for the year/period ....		29,024	18,461	5,283	5,817

## COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 December 2013	December 2014	As at 31 March 2015
	NOTES	HK\$'000	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	16	30,737	29,200	351
Investment properties	17	93,280	47,700	—
Rental deposits paid	19	220	220	220
Deferred tax assets	26	—	—	341
		<u>124,237</u>	<u>77,120</u>	<u>912</u>
<b>CURRENT ASSETS</b>				
Inventories	18	3	—	59
Trade and other receivables	19	1,945	2,040	3,404
Amounts due from related parties	20(a)	17,500	8,484	—
Loan to a related party	20(b)	—	13,187	—
Tax recoverable		—	227	—
Held for trading investments	21	4,732	6,811	—
Bank balances and cash	22	18,020	11,865	1,622
		<u>42,200</u>	<u>42,614</u>	<u>5,085</u>
Assets held for sale	34	—	—	72,348
		<u>42,200</u>	<u>42,614</u>	<u>77,433</u>
<b>CURRENT LIABILITIES</b>				
Rental deposits received and accruals	23	7,612	6,146	2,538
Advance from a related party	20(c)	1,085	—	—
Amounts due to related parties	20(d)	3,317	5,394	—
Financial guarantee liabilities	33	470	—	—
Tax payable		951	15	906
Deposits and fees received in advance	24	13,672	15,423	13,448
Bank overdrafts	22	—	—	377
Bank borrowings—due within one year	25	88,873	45,908	25,693
		<u>115,980</u>	<u>72,886</u>	<u>42,962</u>
Liabilities directly associated with assets held for sale	34	—	—	27,138
		<u>115,980</u>	<u>72,886</u>	<u>70,100</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(73,780)</u>	<u>(30,272)</u>	<u>7,333</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>50,457</u>	<u>46,848</u>	<u>8,245</u>
<b>NON-CURRENT LIABILITIES</b>				
Deposits and fees received in advance	24	1,354	1,036	1,183
Deferred tax liabilities	26	328	378	—
Rental deposits received	23	240	140	—
Provision for long service payments		370	258	29
		<u>2,292</u>	<u>1,812</u>	<u>1,212</u>
NET ASSETS		<u>48,165</u>	<u>45,036</u>	<u>7,033</u>
<b>CAPITAL AND RESERVES</b>				
Share capital	27	1,000	1,010	1,200
Reserves		47,165	44,026	5,833
		<u>48,165</u>	<u>45,036</u>	<u>7,033</u>



## COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Translation reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 .....	1,000	—	—	20,141	21,141
Dividends paid (note 14) .....	—	—	—	(2,000)	(2,000)
Profit and total comprehensive income for the year .....	—	—	—	29,024	29,024
At 31 December 2013 .....	1,000	—	—	47,165	48,165
Issue of shares .....	10	—	—	—	10
Dividends paid (note 14) .....	—	—	—	(21,600)	(21,600)
Profit for the year .....	—	—	—	18,467	18,467
Other comprehensive expense for the year Exchange difference arising on translation of a foreign subsidiary .....	—	—	(6)	—	(6)
Total comprehensive (expense) income for the year .....	—	—	(6)	18,467	18,461
At 31 December 2014 .....	1,010	—	(6)	44,032	45,036
Issue of shares .....	190	—	—	—	190
Deemed capital contribution from shareholders (Note) .....	—	2,000	—	—	2,000
Dividends paid (note 14) .....	—	—	—	(46,010)	(46,010)
Profit for the period .....	—	—	—	5,810	5,810
Other comprehensive income for the period Exchange difference arising on translation of a foreign subsidiary .....	—	—	7	—	7
Total comprehensive income for the period .....	—	—	7	5,810	5,817
At 31 March 2015 .....	1,200	2,000	1	3,832	7,033
(Unaudited)					
At January 2014 .....	1,000	—	—	47,165	48,165
Issue of shares .....	10	—	—	—	10
Dividends paid (note 14) .....	—	—	—	(4,400)	(4,400)
Profit for the period .....	—	—	—	5,289	5,289
Other comprehensive expenses for the period Exchange difference arising on translation of a foreign subsidiary .....	—	—	(6)	—	(6)
Total comprehensive (expenses) income for the period .....	—	—	(6)	5,289	5,283
At 31 March 2014 (unaudited) .....	1,010	—	(6)	48,054	49,058

Note: Amount represents deemed capital contribution from the shareholders of CloudBacko BVI with regard to waiver of amounts due to related parties of HK\$2,000,000 in March 2015.

## COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>OPERATING ACTIVITIES</b>				
Profit for the year/period	29,024	18,467	5,289	5,810
Adjustments for:				
Income tax expenses	3,203	3,574	601	727
Depreciation of property, plant and equipment	2,001	1,762	446	372
Unrealised (gains) losses on change in fair value of held for trading investments	(325)	(2,079)	1,428	—
Increase in fair value of investment properties	(12,245)	(3,220)	(3,209)	(2,530)
Financial guarantee income	(626)	(470)	(157)	—
Dividend income	(82)	(49)	—	—
Bank interest income	—	(1)	—	—
Interest income from related parties	(231)	(770)	(169)	(158)
Interest expenses	2,287	2,006	626	313
Operating cash flows before movements in working capital	23,006	19,220	4,855	4,534
Decrease (increase) in inventories	40	3	(37)	(59)
Decrease (increase) in trade and other receivables	1,105	(95)	(7)	(1,370)
(Increase) decrease in held for trading investments	(1,347)	—	—	6,811
Increase (decrease) in rental deposits received and accruals	1,974	(1,566)	(4,494)	(2,975)
(Decrease) increase in provision for long service payments	(23)	(112)	3	(229)
(Decrease) increase in deposits and fees received in advance	(956)	1,433	(1,032)	(1,828)
Cash generated from (used in) operations	23,799	18,883	(712)	4,884
Income taxes paid	(3,507)	(4,687)	(710)	(15)
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>	<b>20,292</b>	<b>14,196</b>	<b>(1,422)</b>	<b>4,869</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(188)	(225)	—	(25)
Purchase of investment properties	(42,484)	—	—	—
Proceeds from disposal of investment properties	4,605	48,800	—	6,400
Loan to a related party	—	(21,420)	(17,350)	—
Repayment of loan by a related party	—	8,233	—	13,187
Advances to related parties	(38,625)	(1,350)	(59)	(165)
Repayments by related parties	29,380	10,366	9,300	8,649
Dividend income	82	49	—	—
Bank interest income	—	1	—	—
Interest income from related parties	231	770	169	158
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(46,999)</b>	<b>45,224</b>	<b>(7,940)</b>	<b>28,204</b>
<b>FINANCING ACTIVITIES</b>				
Interest paid	(2,287)	(2,006)	(626)	(313)
Dividend paid	(2,000)	(21,600)	(4,400)	(46,010)
Capital contribution from shareholders	—	10	10	—
Bank borrowings raised	50,806	2,721	—	10,000
Repayment of bank borrowings	(12,053)	(45,686)	(2,521)	(4,173)
Advances from related parties	2,709	3,849	1,310	358
Repayments to related parties	(1,256)	(2,857)	(579)	(3,562)
<b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>	<b>35,919</b>	<b>(65,569)</b>	<b>(6,806)</b>	<b>(43,700)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,212</b>	<b>(6,149)</b>	<b>(16,168)</b>	<b>(10,627)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD</b>	<b>8,808</b>	<b>18,020</b>	<b>18,020</b>	<b>11,865</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>—</b>	<b>(6)</b>	<b>13</b>	<b>7</b>
	<b>18,020</b>	<b>11,865</b>	<b>1,865</b>	<b>1,245</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD,</b> represented by:				
Bank balances and cash	18,020	11,865	1,865	1,622
Bank overdrafts	—	—	—	(377)
	<b>18,020</b>	<b>11,865</b>	<b>1,865</b>	<b>1,245</b>

**NOTES TO THE FINANCIAL INFORMATION****1. GENERAL**

The Company was incorporated 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 Island on 10 April 2015. The Company's registered office is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of the Company's principal place of business is located at 28/F, Ford Glory Plaza, No. 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong.

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 Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

**2. BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Prior to the Group Reorganisation, Ahsay HK, CloudBacko HK and CloudBacko BVI were owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning (collectively, the "Controlling Shareholders") as to 40%, 30% and 30% respectively. Ahsay CQ and Million Victory were the wholly-owned subsidiaries of Ahsay HK.

In preparation for the listing of the Company's shares on the Growth Enterprise Market 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 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.
- (7) On 27 April 2015, the Controlling Shareholders transferred the entire equity interest in CloudBacko HK 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 combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period and the combined statements of financial position of the Group as at 31 December 2013, 31 December 2014 and 31 March 2015 are prepared as if the current group structure had been existence throughout the Track Record Period, or since the respective dates of incorporation of the relevant entity, where this is a shorter period, except for Million Victory has been accounted for as a subsidiary throughout the Track Record Period and until the effective date of disposal.

### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently applied all HKFRSs which are effective for annual periods beginning on 1 January 2015 throughout the Track Record Period.

At the date of this report, the following new standards and amendments which may be relevant to the Group have been issued but are not yet effective. The Group has not early applied these new standards and amendments.

HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>3</sup>
Amendments to HKAS 1	Disclosure Initiative <sup>3</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>3</sup>
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants <sup>3</sup>
Amendments to HKAS 27	Equity Method in Separate Financial Statements <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle <sup>3</sup>

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

3 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

Except as described below, the management of the Group anticipates that the application of the other new standards and amendments will have no material impact on the Group's financial performance and positions and/or on the disclosures to the Financial Information.

## HKFRS 15 Revenue from Contracts with Customers

In July 2014, 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.

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 disclosure are required by HKFRS 15.

The management of the Group anticipates that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Financial Information. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with accounting policies which conform with HKFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong and the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis except for investment properties and certain financial instruments 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 the Financial Information 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.

#### Basis of combination

The Financial Information incorporates the financial statements of the entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has the 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.

Combination 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 subsidiaries acquired or disposed of during the year/period are included in the combined statements 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 and 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, liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

#### Merger accounting for business combination involving entities under common control

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The combined statements of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

The Group's turnover 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.

#### ***Software license sales and sale 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.

### 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.

***Leasehold land and properties***

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

**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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 the 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 Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) at exchange rate prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year/period, unless exchange rates fluctuate significantly during the year/period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate). Such exchange differences 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.

#### 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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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 end of the reporting period.

#### 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/period. Taxable profit differs from 'profit before tax' as reported in the combined statements 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 combined statements of financial position and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such 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.

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 assets 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 rates (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 cover 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 is 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 combined statements 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 items of property, plant and equipment 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 the 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.

#### Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

#### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. All of the Group's property interests

held under operating leases to earn rentals or for capital appreciation purposes are 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 the disposal. 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 (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 assets 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 recognised in profit or loss in the period in which it is incurred.

#### Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of its 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. Where 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. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a 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 a 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).

#### 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 sales.

#### Financial instruments

Financial assets and financial liabilities are recognised in the combined statements of financial position 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 financial 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.

### ***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 excludes any dividend or interest earned on the financial assets and is included in the 'other gains and 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 trade and other receivables, amounts due from related parties, loan to a related party and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 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 receivables, where the carrying amount is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognised in profit or loss. When a trade 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 loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### **Financial liabilities 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 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 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 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 advance from a related party, amounts due to related parties, bank overdrafts and 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 entities are recognised at the proceeds received, net of direct issue costs.

#### ***Financial guarantee contracts***

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.



Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

#### **Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. 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 AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the process of applying the Group's accounting policies which are described in note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

#### **Critical judgement in applying accounting policies**

The following is the critical judgement, apart from those involving estimations (see below), that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

##### *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management of the Group have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale for the years ended 31 December 2013 and 2014 and three months ended 31 March 2015.

Therefore, in measuring the Group's deferred taxation on investment properties, the management of the Group have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as at 31 December 2013 and 2014 and 31 March 2015 as the Group is not subject to any income taxes on disposal of its investment properties.

**Key sources of estimation uncertainty***Useful lives and impairment assessment of property, plant and equipment*

Property, plant and equipment are stated in the combined statements of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values would be written down to the recoverable amounts and the amount of the impairment loss would be charged to profit or loss. The carrying amount of property, plant and equipment as at 31 December 2013 and 2014 and 31 March 2015 was HK\$30,737,000, HK\$29,200,000 and HK\$351,000 respectively.

*Fair value measurements and valuation processes*

Some of the Group's assets are measured at fair value on recurring basis.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are non-observable market data to estimate the fair value of certain types of financial instruments. Notes 17 and 29 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets.

**6. REVENUE AND SEGMENT INFORMATION**

Information reported to the management of the Group, 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:

Backup software service segment	—	Sales of software license rights and hardware devices, and the provision of software related upgrades, maintenance and other services
Properties investment segment	—	Lease of properties

Properties investment segment was discontinued during the three months ended 31 March 2015. The segment information reported below does not include any amounts for this discontinued operation, which is described in more details in note 11. No revenue was contributed from this discontinued operation during the Track Record Period.

**Segment revenue and result**

The Group's revenue represents the amount received and receivable for the sales of software license rights and hardware devices, and the provision of software related upgrades, maintenance and other services during the Track Record Period, net of discounts and sales related taxes.

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

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Segment revenue – external:</b>				
Software license sales and leasing .....	35,980	30,579	7,462	8,181
Software upgrades and maintenance services fee .....	20,000	21,945	5,280	5,710
Other services fee .....	1,858	1,277	366	316
Sale of hardware devices .....	226	172	51	18
<b>Total revenue from continuing operation .....</b>	<b>58,064</b>	<b>53,973</b>	<b>13,159</b>	<b>14,225</b>
<b>Segment results .....</b>	<b>15,952</b>	<b>13,969</b>	<b>3,073</b>	<b>4,479</b>
Other income .....	1,699	2,102	561	158
Other gains and losses .....	1,436	2,060	(1,425)	(755)
Interest on loans from related parties .....	(91)	(32)	(10)	—
<b>Profit before tax from continuing operation .....</b>	<b>18,996</b>	<b>18,099</b>	<b>2,199</b>	<b>3,882</b>

**Segment assets and liabilities**

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

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
<b>Reportable segment assets</b>			
Continuing operation:			
Backup software service .....	32,896	31,450	32,877
Reconciliation of reportable segment total to group total:			
Segment assets .....	32,896	31,450	32,877
Assets held under properties investment business .....	93,289	47,710	43,846
Unallocated assets:			
Bank balances and cash .....	18,020	11,865	1,622
Tax recoverable .....	—	227	—
Held for trading investments .....	4,732	6,811	—
Amounts due from related parties .....	17,500	8,484	—
Loan to a related party .....	—	13,187	—
Combined assets .....	166,437	119,734	78,345
<b>Reportable segment liabilities</b>			
Continuing operation:			
Backup software service .....	65,971	39,117	42,891
Reconciliation of reportable segment total to group total:			
Segment liabilities .....	65,971	39,117	42,891
Liabilities associated with properties investment business .....	46,478	30,172	27,138
Unallocated liabilities:			
Bank overdrafts .....	—	—	377
Tax payable .....	951	15	906
Advance from a related party .....	1,085	—	—
Financial guarantee liabilities .....	470	—	—
Amounts due to related parties .....	3,317	5,394	—
Combined liabilities .....	118,272	74,698	71,312

**Non-current assets by geographical location**

The Group's operations are substantially based in Hong Kong and almost all of its non-current assets as at 31 December 2013 and 2014 and 31 March 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:

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
United States .....	10,877	10,498	2,632	3,128
Netherlands .....	N/A*	N/A*	N/A*	1,538
Others (Note) .....	47,187	43,475	10,527	9,559
	<u>58,064</u>	<u>53,973</u>	<u>13,159</u>	<u>14,225</u>

\* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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

**Information about major customers**

There was no single customer contributing over 10% of the total revenue of the Group throughout the Track Record Period.

**7. OTHER INCOME**

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Continuing operation:</b>				
Management income from related parties .....	752	812	235	—
Interest income from related parties .....	231	770	169	158
Dividend income .....	82	49	—	—
Bank interest income .....	—	1	—	—
Financial guarantee income (note 33) .....	626	470	157	—
Others .....	8	—	—	—
	<u>1,699</u>	<u>2,102</u>	<u>561</u>	<u>158</u>

**8. OTHER GAINS AND LOSSES**

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Continuing operation:</b>				
Increase (decrease) in fair value of held for trading investments .....	1,440	2,079	(1,428)	(757)
Foreign exchange (losses) gains, net .....	(23)	(19)	3	2
Others .....	19	—	—	—
	<u>1,436</u>	<u>2,060</u>	<u>(1,425)</u>	<u>(755)</u>

## 9. FINANCE COSTS

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Continuing operation:</b>				
Interest on:				
Bank loans wholly repayable				
— within five years .....	873	606	231	32
— over five years .....	173	391	100	91
Interest on advances from related parties wholly repayable				
within five years .....	91	32	10	—
Interest on bank overdraft wholly repayable within five years .....				
	16	2	—	—
	<u>1,153</u>	<u>1,031</u>	<u>341</u>	<u>123</u>

## 10. INCOME TAX EXPENSE

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Continuing operation:</b>				
Current tax:				
Hong Kong Profits Tax .....	3,022	3,423	720	1,102
PRC Enterprise Income Tax .....	1	—	—	—
Overprovision in prior years/periods:				
Hong Kong Profits Tax .....	(22)	(18)	(18)	—
	<u>3,001</u>	<u>3,405</u>	<u>702</u>	<u>1,102</u>
Deferred tax (note 26):				
Credit for the year/period .....	(14)	(3)	(194)	(404)
	<u>2,987</u>	<u>3,402</u>	<u>508</u>	<u>698</u>

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 the Track Record Period.

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 the Track Record Period.

The tax expense for the Track Record Period can be reconciled to the profit before tax from continuing operation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Continuing operation:</b>				
Profit before tax	18,996	18,099	2,199	3,882
Tax at the Hong Kong Profits Tax rate of 16.5%	3,134	2,986	363	640
Tax effect of expenses not deductible for tax purpose	76	139	83	5
Tax effect of income not taxable for tax purpose	(179)	(31)	(40)	—
Tax effect of tax losses not recognised	3	257	57	21
Utilisation of tax loss previously not recognised	(14)	—	—	—
Overprovision in prior years/period	(22)	(18)	(18)	—
Others	(11)	69	63	32
Tax expense for the year/period	2,987	3,402	508	698

## 11. DISCONTINUED OPERATION

### Plan to dispose of the properties investment business

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

In March 2015, pursuant to the Group Reorganisation, the directors of the Company committed a plan to dispose of the equity interest in Million Victory to Able Future (see note 2). In addition, the investment properties owned by Ahsay HK will be disposed to Assets Sino Investments (HK) Limited, a related party that is under common control of the Controlling Shareholders. Subsequent to the Track Record Period, the disposal of properties investment business has been completed with subsequent selling price less costs to sell higher than the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on the carrying amounts of the assets held for sale as at 31 March 2015.



**Analysis of profit for the year/period from discontinued operation**

The results of the discontinued operation included in the profit for the year/period and cash flows from (used in) discontinued operation are set out below:

	Year ended 31 December		Three months ended 31 March	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
<b>Profit for the year/period from discontinued operation</b>				
Rental income .....	2,653	2,486	819	410
Unrealised gains on changes in fair value of investment properties .....	11,797	2,420	3,209	2,530
Realised gains on changes in fair value of investment properties .....	448	800	—	—
Administrative expenses .....	(533)	(789)	(52)	(95)
Interest on bank borrowings wholly repayable over five years .....	(1,134)	(975)	(285)	(190)
Profit before tax .....	13,231	3,942	3,691	2,655
Income tax expenses .....	(216)	(172)	(93)	(29)
Profit for the year/period from discontinued operation .....	<u>13,015</u>	<u>3,770</u>	<u>3,598</u>	<u>2,626</u>
<b>Profit for the year/period from discontinued operation includes the following:</b>				
Auditor's remuneration .....	<u>12</u>	<u>12</u>	<u>3</u>	<u>3</u>
Minimum lease receipts under operating leases during the year/period in respect of the Group's investment properties .....	<u>2,653</u>	<u>2,486</u>	<u>819</u>	<u>410</u>
<b>Cash flows from (used in) discontinued operation</b>				
Net cash flows from (used in)				
operating activities .....	2,556	1,573	698	825
investing activities .....	(37,879)	48,800	—	6,400
financing activities .....	19,483	(1,290)	(368)	(7,179)
Net cash (outflow) inflow .....	<u>(15,840)</u>	<u>49,083</u>	<u>330</u>	<u>46</u>

The properties investment business has been classified and accounted for at 31 March 2015 as a disposal group held for sale (see note 34).

## 12. PROFIT FOR THE YEAR/PERIOD FROM CONTINUING OPERATION

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Profit for the year/period from continuing operation has been arrived at after charging (crediting):				
Directors' emoluments (note 13) . . . . .	10,490	9,842	2,571	2,262
Other staff costs (Note)				
– Salaries, allowances and benefits in kind . . . . .	22,316	20,053	5,111	5,470
– Retirement benefits scheme contributions, excluding directors . . . . .	793	711	173	194
– Others . . . . .	405	284	75	(75)
Total directors and other staff costs . . . . .	<u>34,004</u>	<u>30,890</u>	<u>7,930</u>	<u>7,851</u>
Auditor's remuneration . . . . .	76	76	19	19
Depreciation of property, plant and equipment . . . . .	<u>2,001</u>	<u>1,762</u>	<u>446</u>	<u>372</u>

Note: The Group's research and development expenditure incurred and recognised as expense during the Track Record Period are mainly employee related costs. In the opinion of the directors of the Company, 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 years ended 31 December 2013 and 2014 and the three months ended 31 March 2014 and 2015, the total staff costs attributable to these employees who performed the above functions were approximately HK\$9,075,000, HK\$8,914,000, HK\$2,256,000 (unaudited) and HK\$2,286,000, respectively. Given there are 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.

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' REMUNERATION

## Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the individuals appointed on 10 April 2015 as the directors and the chief executive of the Company by the group entities during the Track Record Period are as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Directors' fee . . . . .	—	160	—	66
Salaries, allowances and benefits in kind . . . . .	7,500	7,380	1,995	1,905
Performance bonus . . . . .	2,945	2,255	564	276
Retirement benefits scheme contribution . . . . .	45	47	12	15
	<u>10,490</u>	<u>9,842</u>	<u>2,571</u>	<u>2,262</u>

For the year ended 31 December 2013				
Directors' fee	Salaries, allowances and benefits in kind	Performance bonus	Retirement benefits scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chong King Fan	1,716	233	—	1,949
Chong Li Sau Fong	—	—	—	—
Chong Siu Pui (Note)	2,382	1,249	15	3,646
Chong Siu Ning	2,442	1,253	15	3,710
Chong Siu Fan	960	210	15	1,185
	<u>7,500</u>	<u>2,945</u>	<u>45</u>	<u>10,490</u>

For the year ended 31 December 2014				
Directors' fee	Salaries, allowances and benefits in kind	Performance bonus	Retirement benefits scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chong King Fan	1,800	56	—	1,856
Chong Li Sau Fong	—	—	—	—
Chong Siu Pui (Note)	2,580	1,052	17	3,649
Chong Siu Ning	2,640	1,057	17	3,714
Chong Siu Fan	160	90	13	623
	<u>160</u>	<u>7,380</u>	<u>2,255</u>	<u>9,842</u>

For the three months ended 31 March 2014 (unaudited)				
Directors' fee	Salaries, allowances and benefits in kind	Performance bonus	Retirement benefits scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chong King Fan	450	14	—	464
Chong Li Sau Fong	—	—	—	—
Chong Siu Pui (Note)	645	263	4	912
Chong Siu Ning	660	264	4	928
Chong Siu Fan	240	23	4	267
	<u>1,995</u>	<u>564</u>	<u>12</u>	<u>2,571</u>

For the three months ended 31 March 2015				
Directors' fee	Salaries, allowances and benefits in kind	Performance bonus	Retirement benefits scheme contribution	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Chong King Fan	450	20	—	470
Chong Li Sau Fong	—	—	—	—
Chong Siu Pui (Note)	720	122	5	847
Chong Siu Ning	735	123	5	863
Chong Siu Fan	66	11	5	82
	<u>66</u>	<u>1,905</u>	<u>276</u>	<u>2,262</u>

Note: Mr. Chong Siu Pui is also the chief executive of the Group and his emoluments disclosed above included those services rendered by him as the chief executive.

**Employees' remuneration**

The five highest paid individuals with the highest emoluments in the Group include four, three, four (unaudited) and three directors for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015 respectively, details of their emoluments are set out above. The remunerations for the remaining one, two, one (unaudited) and two individuals for the years ended 31 December 2013 and 2014 and for the three months ended 31 March 2014 and 2015, respectively, are as follows:

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Salaries, allowances and benefits in kind . . . . .	1,080	1,956	297	540
Performance bonus . . . . .	205	376	56	90
Retirement benefits scheme contribution . . . . .	15	34	4	9
	<u>1,300</u>	<u>2,366</u>	<u>357</u>	<u>639</u>

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

	No. of employees		No. of employees	
	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	No. of	No. of	No. of (unaudited)	No. of
Nil to HK\$1,000,000 . . . . .	—	1	1	2
HK\$1,000,001 to HK\$1,500,000 . . . . .	1	1	—	—
	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

During the Track Record Period, 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.

**14. DIVIDENDS**

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (unaudited)	HK\$'000
Dividends declared and paid/payable to shareholders . . . . .	<u>2,000</u>	<u>21,600</u>	<u>4,400</u>	<u>46,010</u>

**15. EARNINGS PER SHARE**

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the presentation of the combined statements of profit or loss and other comprehensive income for the Track Record Period is on a combined basis as disclosed in note 2.

## 16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Leasehold improvements	Furnitures, fixtures and equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>COST</b>				
At 1 January 2013 .....	33,451	2,865	4,289	40,605
Additions .....	—	—	188	188
Written off .....	—	—	(15)	(15)
At 31 December 2013 .....	33,451	2,865	4,462	40,778
Additions .....	—	40	185	225
Written off .....	—	—	(37)	(37)
At 31 December 2014 .....	33,451	2,905	4,610	40,966
Additions .....	—	—	25	25
Written off .....	—	—	(3)	(3)
Transferred to assets held for sale (note 34) .....	(33,451)	—	—	(33,451)
At 31 March 2015 .....	—	2,905	4,632	7,537
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January 2013 .....	2,955	1,619	3,481	8,055
Provided for the year .....	886	573	542	2,001
Written off .....	—	—	(15)	(15)
At 31 December 2013 .....	3,841	2,192	4,008	10,041
Provided for the year .....	886	579	297	1,762
Written off .....	—	—	(37)	(37)
At 31 December 2014 .....	4,727	2,771	4,268	11,766
Provided for the period .....	222	98	52	372
Written off .....	—	—	(3)	(3)
Transferred to assets held for sale (note 34) .....	(4,949)	—	—	(4,949)
At 31 March 2015 .....	—	2,869	4,317	7,186
<b>CARRYING VALUES</b>				
At 31 December 2013 .....	<u>29,610</u>	<u>673</u>	<u>454</u>	<u>30,737</u>
At 31 December 2014 .....	<u>28,724</u>	<u>134</u>	<u>342</u>	<u>29,200</u>
At 31 March 2015 .....	<u>—</u>	<u>36</u>	<u>315</u>	<u>351</u>

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
Furnitures, fixtures and equipment	3 to 4 years

The Group's leasehold land and buildings are held under medium-term lease in Hong Kong and have been pledged to secure the bank borrowings granted to the Group as at 31 December 2013 and 2014 and 31 March 2015.

## 17. INVESTMENT PROPERTIES

	Year ended 31 December		Three months ended 31 March 2015
	2013	2014	
	HK\$'000	HK\$'000	HK\$'000
Balance at the beginning of year/period . . . . .	39,800	93,280	47,700
Addition . . . . .	45,840	—	—
Disposal . . . . .	(4,605)	(48,800)	(6,400)
Change in fair value of investment properties (included in discontinued operation) (note 11):			
— Realised gains . . . . .	448	800	—
— Unrealised gains . . . . .	11,797	2,420	2,530
Transferred to assets held for sale (note 34) . . . . .	—	—	(43,830)
Balance at the end of year/period . . . . .	<u>93,280</u>	<u>47,700</u>	<u>—</u>

The Group's property interests held under operating leases for capital appreciation and to earn rental income are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are held under medium-term lease in Hong Kong and have been pledged to secure the bank borrowings granted to the Group as at 31 December 2013 and 2014 and 31 March 2015.

The fair values of the Group's investment properties at 31 December 2013 and 2014 and 31 March 2015 have been arrived at on the basis of a valuation carried out on respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("Jones Lang LaSalle") located at 6th Floor, Three Pacific Place, 1 Queen's Road East, Hong Kong, an independent qualified professional valuer not connected with the Group.

Jones Lang LaSalle Corporate Appraisal and Advisory Limited 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.

There has been no change from valuation technique used throughout the Track Record Period. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 and 2014 and 31 March 2015 are as follows:

	As at 31 December		As at 31 March 2015
	2013	2014	
	Level 3	Level 3	Level 3
	HK\$'000	HK\$'000	HK\$'000
Fair value:			
Industrial units located in Hong Kong . . . . .	45,280	47,700	43,830
Office units located in Hong Kong . . . . .	48,000	—	—
	<u>93,280</u>	<u>47,700</u>	<u>43,830</u>

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Investment properties	Fair value as at			Fair value hierarchy	Valuation technique	Significant unobservable input	Sensitivity
	31 December 2013	31 December 2014	31 March 2015				
Industrial units located in Hong Kong . . .	HK\$45,280,000	HK\$47,700,000	HK\$43,830,000	Level 3	Market Comparable Approach The key input is price per square feet	Price per square feet, based on recent market transactions for comparable properties which ranged from HK\$1,872 to HK\$5,784 per square feet	An increase in the price per square feet would result in a same percentage increase in fair value measurement of the property, and vice versa
Office units located in Hong Kong . . .	HK\$48,000,000	N/A	N/A	Level 3	Market Comparable Approach The key input is price per square feet	Price per square feet, based on recent market transactions for comparable properties which ranged from HK\$6,500 to HK\$6,730 per square feet	An increase in the price per square feet would result in a same percentage increase in fair value measurement of the property, and vice versa

There were no transfers into or out of Level 3 throughout the Track Record Period.

## 18. INVENTORIES

	As at 31 December		As at 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Finished goods . . . . .	3	—	59

## 19. TRADE AND OTHER RECEIVABLES

	As at 31 December		As at 31 March
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
<b>Current assets</b>			
Trade receivables — aged within 30 days . . . . .	1,583	1,901	1,944
Rental and utilities deposits . . . . .	219	127	145
Prepaid operating expenses and other receivables . . . . .	143	12	79
Prepaid listing expenses . . . . .	—	—	1,236
Total . . . . .	<u>1,945</u>	<u>2,040</u>	<u>3,404</u>
<b>Non-current asset</b>			
Rental deposits paid . . . . .	<u>220</u>	<u>220</u>	<u>220</u>

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.

In determining the recoverability 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 management of the Group has 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.

## 20. AMOUNTS DUE FROM (TO) RELATED PARTIES / LOAN TO A RELATED PARTY / ADVANCE FROM A RELATED PARTY

### (a) Amounts due from related parties

Amounts due from related parties are as follows:

Related party	Maximum amounts outstanding during the year/period						
	As at 1 January 2013	As at 31 December		As at 31 March 2015	As at 31 December		As at 31 March 2015
	HK\$'000	2013	2014	HK\$'000	2013	2014	HK\$'000
Ahsay Corporation Limited (Note 1) .....	7,499	9,300	—	—	9,300	9,300	—
Sau King Investments Limited (Note 2) .....	756	8,200	8,354	—	8,200	8,354	8,354
Million Trader Enterprises (Hong Kong) Limited (Note 3) .....	—	—	130	—	—	130	130
	<u>8,255</u>	<u>17,500</u>	<u>8,484</u>	<u>—</u>	<u>—</u>	<u>130</u>	<u>130</u>

Notes:

- (1) The amount is non-trade nature, unsecured, carrying interest rate at 3.5% per annum and repayable on demand.
- (2) The amount is non-trade nature, unsecured, carrying interest rate at 2.5% per annum and repayable on demand.
- (3) The amount is non-trade nature, unsecured, interest free and repayable on demand.

Ahsay Corporation Limited, Sau King Investments Limited and Million Trader Enterprises (Hong Kong) Limited are under common control of the Controlling Shareholders, and hence, they are related parties of the Group.

### (b) Loan to a related party

During the year ended 31 December 2014, Ahsay HK advanced HK\$13,187,000 to Million Trader Enterprise (Hong Kong) Limited. The advance is unsecured, carrying interest rate at 3.5% per annum and repayable on demand. The balance was settled in full during the three months ended 31 March 2015.

**(c) Advance from a related party**

The amount was advanced from Million Trader Enterprises (Hong Kong) Limited and is unsecured, carrying interest rate at 4% per annum and repayable on demand. The advance was fully repaid during the year ended 31 December 2014.

**(d) Amounts due to related parties**

The amounts were advanced from the Controlling Shareholders and were non-trade nature, unsecured, interest-free and repayable on demand.

**21. HELD FOR TRADING INVESTMENTS**

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
Equity securities listed in Hong Kong .....	<u>4,732</u>	<u>6,811</u>	<u>—</u>

**22. BANK BALANCES AND CASH / BANK OVERDRAFTS**

Bank balances carry interest at market rates at 0.01% per annum as at 31 December 2013 and 2014 and 31 March 2015.

Bank overdrafts carry interest at the prime rate of relevant bank at 5.25% per annum as at 31 March 2015.

**23. RENTAL DEPOSITS RECEIVED AND ACCRUALS**

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
<b>Current liabilities</b>			
Rental deposits received .....	477	166	—
Rental income receipts in advance .....	62	88	—
Accrued staff costs and related expenses .....	6,494	5,308	2,076
Accrued operating expenses .....	<u>579</u>	<u>584</u>	<u>462</u>
Total .....	<u>7,612</u>	<u>6,146</u>	<u>2,538</u>
<b>Non-current liabilities</b>			
Rental deposits received .....	<u>240</u>	<u>140</u>	<u>—</u>

**24. DEPOSITS AND FEES RECEIVED IN ADVANCE**

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
Trade deposits from customers .....	2,920	2,234	1,661
Software upgrades and maintenance services fees received in advance .....	11,881	13,849	12,678
Other service fees received in advance .....	<u>225</u>	<u>376</u>	<u>292</u>
	15,026	16,459	14,631
Less: non-current portion .....	<u>(1,354)</u>	<u>(1,036)</u>	<u>(1,183)</u>
Current portion .....	<u>13,672</u>	<u>15,423</u>	<u>13,448</u>

## 25. BANK BORROWINGS

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Bank borrowings .....	88,873	45,908	51,735
Secured .....	87,788	45,908	51,735
Unsecured .....	1,085	—	—
	<u>88,873</u>	<u>45,908</u>	<u>51,735</u>
Bank borrowings:			
— Variable rate .....	<u>88,873</u>	<u>45,908</u>	<u>51,735</u>
Carrying amount repayable (according to scheduled repayment term):			
— Within one year .....	22,504	5,272	15,107
— More than one year, but not exceeding two years .....	10,323	5,378	5,215
— More than two years, but not more than five years .....	22,707	15,060	14,202
— More than five years .....	33,339	20,198	17,211
	<u>88,873</u>	<u>45,908</u>	<u>51,735</u>
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) .....	88,873	45,908	51,735
Less: transferred to liabilities associated with assets held for sale (note 34) .....	—	—	26,042
	<u>88,873</u>	<u>45,908</u>	<u>25,693</u>

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

	As at 31 December		As at
	2013	2014	31 March 2015
Effective interest rate (per annum):			
Variable-rate borrowings .....	<u>2.50% to 4.00%</u>	<u>2.50% to 3.25%</u>	<u>2.50% to 3.25%</u>

As at 31 December 2013 and 2014 and 31 March 2015, the Group's borrowings are secured by the Group's leasehold land and buildings and investment properties of aggregated amount approximately HK\$122,890,000, HK\$76,424,000 and HK\$72,332,000, respectively.

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

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Expiry within one year .....	<u>24,403</u>	<u>29,861</u>	<u>20,809</u>

**26. DEFERRED TAX ASSETS/LIABILITIES**

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period:

	Unrealised fair value gains on held for trading investments	Accelerated (decelerated) tax depreciation	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013 .....	—	289	289
Charge to profit or loss .....	—	39	39
At 31 December 2013 .....	—	328	328
Charge (credit) to profit or loss .....	397	(347)	50
At 31 December 2014 .....	397	(19)	378
(Credit) charge to profit or loss .....	(397)	1	(396)
Transferred to assets held for sale (note 34) .....	—	(323)	(323)
At 31 March 2015 .....	—	(341)	(341)

As at 31 December 2013 and 2014 and 31 March 2015, the Group had unused tax losses of approximately HK\$17,000, HK\$1,577,000 and HK\$1,705,000, respectively, available for offset against future profits. No deferred tax asset has been recognised in respect of such losses in the Track Record Period due to the unpredictability of future profit streams. The tax losses arising from a PRC subsidiary of HK\$17,000, HK\$21,000 and HK\$32,000 as at 31 December 2013 and 2014 and 31 March 2015 can be carried forward for five years from the year of origination. Other tax losses may be carried forward indefinitely.

**27. SHARE CAPITAL**

Share capital of the Group as at 1 January and 31 December 2013 represented the issued share capital of Ahsay HK.

Share capital of the Group as at 31 December 2014 represented the combined issued share capital of Ahsay HK, CloudBacko HK and CloudBacko BVI.

Share capital of the Group as at 31 March 2015 represented the combined share capital of Ahsay HK, Alpha Heritage, Apex Ace, CloudBacko HK and CloudBacko BVI.

**28. 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 throughout the Track Record Periods.

The capital structure of the Group consists of debt, which includes advance from a related party, amounts due to related parties and bank borrowings, as disclosed in notes 20(c), 20(d) and 25, respectively, net of cash and cash equivalents, and equity.

The management of the Group reviews the capital structure from time to time. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, 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.

## 29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
			HK\$'000
<b>Continuing operation:</b>			
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents) . . . . .	37,542	35,784	3,931
Held for trading investments . . . . .	4,732	6,811	—
	<u>42,274</u>	<u>42,595</u>	<u>3,931</u>
<b>Financial liabilities</b>			
Amortised cost . . . . .	93,992	51,608	26,070
Financial guarantee contract . . . . .	470	—	—
	<u>94,462</u>	<u>51,608</u>	<u>26,070</u>
<b>Financial liabilities associated with assets held for sales</b>			
Amortised cost . . . . .	—	—	26,651

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related parties, loan to a related party, advance from a related party, rental deposits paid (received), bank balances and cash, held for trading investments, financial guarantee liabilities, bank overdrafts and bank borrowings. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (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 management 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 fair value interest rate risk in relation to fixed-rate amounts due from related parties (note 20(a)), loan to a related party (note 20(b)) and advance from a related party 20(c)). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, bank overdrafts and bank balances.

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 overdrafts.

*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/period. 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 for the years from continuing operation ended 31 December 2013, 31 December 2014 and three months ended 31 March 2015 would decrease/increase by approximately HK\$371,000, HK\$192,000 and HK\$27,000, respectively.

No sensitivity analysis is prepared for bank balances as in the opinion of the management of the Group, a reasonable possible change in interest rate will not have significant impact on the Financial Information during the Track Record Period.

(ii) Foreign currency risk

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

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

	As at		As at		As at	
	31 December 2013		31 December 2014		31 March 2015	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
US\$ .....	51	—	71	1,187	89	—

*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.

(iii) Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in gambling industry sector quoted in The Stock Exchange of Hong Kong Limited.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective listed equity securities had been 10% higher/lower, the Group's post-tax profit for the years ended 31 December 2013, 31 December 2014 and three months ended 31 March 2015 would increase/decrease by approximately HK\$395,000, HK\$569,000 and nil, respectively.

**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 management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and amounts due to related parties.

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.

Continuing operation:

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>As at 31 December 2013</b>							
<b>Non-derivative financial liabilities</b>							
Rental deposits received .....	—	717	—	—	—	717	717
Amounts due to related parties .....	—	3,317	—	—	—	3,317	3,317
Advance from a related party .....	4	1,085	—	—	—	1,085	1,085
Bank borrowings .....	2.83	88,873	—	—	—	88,873	88,873
Financial guarantee contract (Note) .....	—	1,105	—	—	—	1,105	470
		<u>95,097</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>95,097</u>	<u>94,462</u>
<b>As at 31 December 2014</b>							
<b>Non-derivative financial liabilities</b>							
Rental deposits received .....	—	306	—	—	—	306	306
Amounts due to related parties .....	—	5,394	—	—	—	5,394	5,394
Bank borrowings .....	2.74	45,908	—	—	—	45,908	45,908
		<u>51,608</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>51,608</u>	<u>51,608</u>
<b>As at 31 March 2015</b>							
<b>Non-derivative financial liabilities</b>							
Bank overdrafts .....	5.25	379	—	—	—	379	377
Bank borrowings .....	2.96	25,693	—	—	—	25,693	25,693
		<u>26,072</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,072</u>	<u>26,070</u>



Financial liabilities associated with assets held for sale:

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 March 2015							
<b>Non-derivative financial liabilities</b>							
Rental deposits received . . .	—	609	—	—	—	609	609
Bank borrowings . . . . .	2.54	26,042	—	—	—	26,042	26,042
		<u>26,651</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>26,651</u>	<u>26,651</u>

Note: The amount of HK\$1,105,000 included above for financial guarantee contract is the maximum amount that the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee.

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 at 31 December 2013, 31 December 2014 and 31 March 2015, the aggregate carrying amounts of these bank borrowings amounted to HK\$88,873,000, HK\$45,908,000 and HK\$51,735,000, respectively. 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 management of the Group believes that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group’s aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

Continuing operation:

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Bank borrowings with repayment on demand clause</b>							
As at 31 December 2013 . . .	2.83	24,674	12,030	26,285	36,769	99,758	88,873
As at 31 December 2014 . . .	2.74	6,461	6,425	17,316	22,156	52,358	45,908
As at 31 March 2015 . . . . .	2.96	<u>13,244</u>	<u>2,933</u>	<u>6,519</u>	<u>5,084</u>	<u>27,780</u>	<u>25,693</u>

	Weighted average effective interest rate	Repayable on demand or less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Bank borrowings associated with assets held for sale with repayment on demand clause</b>							
As at 31 March 2015 . . . . .	2.54	<u>3,225</u>	<u>3,225</u>	<u>9,675</u>	<u>13,755</u>	<u>29,880</u>	<u>26,042</u>

**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 combined statements of financial position and the amount of contingent liabilities in relation to the financial guarantee provided by the Group as disclosed in note 33. The Group's credit risk is primarily attributable to its trade receivables, amounts due from related parties, loan to a related party and bank balances. The Group has concentration of credit risk on the amounts due from related parties and loan to a related party, with details set out in note 20(a) and (b). In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, 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 management of the Group considers that the Group's credit risk is significantly reduced. For the amounts due from related parties and loan to a related party, the management of the Group has periodically monitored the financial position of the related parties to ensure the advances are recoverable. All the outstanding balances were fully settled by 31 March 2015.

As at 31 December 2013, 31 December 2014 and 31 March 2015, there was no single customer contributing over 10% of the total trade receivables of the Group.

The credit risk on bank balances is limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2013, the Group was exposed to credit risk from a financial guarantee contract which might cause a financial loss to the Group due to failure to discharge an obligation by the counterparty. Details of financial guarantee provided by the Group are disclosed in note 33. The management of the Group had periodically monitored the financial position of the related company to ensure it is financially viable to settle the banking facilities drawn from financial institutions.

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of certain financial assets.

**Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis**

	Fair value as at			Fair value hierarchy	Valuation technique
	31 December 2013	31 December 2014	31 March 2015		
<b>Financial assets</b>					
Held for trading investments . . . . .	Listed equity securities in Hong Kong: HK\$4,732,000	Listed equity securities in Hong Kong: HK\$6,811,000	N/A	Level 1	Quoted bid prices in an active market

**Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)**

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate their fair values.

**30. COMMITMENTS**Operating commitments**The Group as lessee**

	Year ended 31 December		Three months ended 31 March	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Minimum lease payments under operating leases during the year/period in respect of premises .....	<u>1,320</u>	<u>1,320</u>	<u>330</u>	<u>330</u>

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:

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
Within one year .....	330	1,320	1,320
In the second to fifth year inclusive .....	—	330	—
	<u>330</u>	<u>1,650</u>	<u>1,320</u>

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

**The Group as lessor**

At the end of each reporting period, the Group had commitments for future minimum lease receipts under non-cancellable operating leases in respect of the Group's investment properties under properties investment business classified as discontinued operation (note 11) which fall due as follows:

	As at 31 December		As at
	2013	2014	31 March
	HK\$'000	HK\$'000	2015
Within one year .....	2,352	1,457	935
In the second to fifth year inclusive .....	<u>1,941</u>	<u>663</u>	<u>257</u>
	<u>4,293</u>	<u>2,120</u>	<u>1,192</u>

Operating lease payments represent rentals payable by the Group for its investment properties. Leases are negotiated and rentals are fixed for one to five years.

**31. EMPLOYEE BENEFITS**

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 years ended 31 December 2013 and 2014 and the three months ended 31 March 2014 and 2015, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately HK\$838,000, HK\$758,000, HK\$185,000 (unaudited) and HK\$209,000, respectively.

**32. PLEDGE OF ASSETS**

At the end of the reporting period, assets pledged to banks to secure banking facilities and borrowings granted to the Group were as follows:

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Leasehold land and buildings .....	29,610	28,724	28,502
Investment properties .....	93,280	47,700	43,830
	<u>122,890</u>	<u>76,424</u>	<u>72,332</u>

**33. CONTINGENT LIABILITIES**

	As at 31 December		As at
	2013	2014	31 March 2015
	HK\$'000	HK\$'000	HK\$'000
Guarantee given to a bank, in respect of banking facilities to a related party			
– amount that could be required to be paid if the guarantee was called upon in entirety .....	1,105	–	–
– amount utilised .....	<u>1,105</u>	<u>–</u>	<u>–</u>

In 2009, the Group entered into a financial guarantee arrangement with a related party whereby the Group has provided guarantee to a bank in respect of the related party's bank borrowings for total repayment of HK\$6,630,000 in five years, with the last repayment in 2014.

Fair value of the financial guarantee at initial recognition in 2009 amounting to HK\$3,130,000 was evaluated by an independent valuer, Jones Lang LaSalle. During the years ended 31 December 2013 and 2014 and the three months ended 31 March 2014 and 2015, financial guarantee income of HK\$626,000, HK\$470,000, HK\$157,000 (unaudited) and nil was recognised in profit or loss respectively and the financial guarantee liability as at 31 December 2013 and 2014 and 31 March 2015 amounting to HK\$470,000, nil and nil, respectively, represents the amount initially recognised, less cumulative amortisation in the combined statements of financial position.

**34. ASSETS HELD FOR SALE**

	As at 31 March 2015
	HK\$'000
Assets held under properties investment business .....	43,846
Leasehold land and buildings .....	28,502
Total assets held for sale .....	<u>72,348</u>
Liabilities directly associated with assets held for sale under properties investment business .....	<u>27,138</u>

**Properties investment business**

The major classes of assets and liabilities of the properties investment business at 31 March 2015 are as follows:

	As at 31 March 2015
	HK\$'000
Investment properties .....	43,830
Deposits paid, prepayments and other receivables .....	6
Income tax recoverable .....	10
Assets of properties investment business held for sale .....	<u>43,846</u>
Bank borrowings (Note) .....	26,042
Deposits received, accruals and other payables .....	773
Deferred tax liabilities .....	<u>323</u>
Liabilities directly associated with assets held for sale .....	<u>27,138</u>
Net assets of properties investment business held for sale .....	<u>16,708</u>

Note:

The banking borrowings are secured by the investment properties with effective interest rates (per annum) ranging from 2.50% to 2.75%.

	As at 31 March 2015
	HK\$'000
Carrying amount repayable (according to scheduled repayment term):	
– Within one year .....	2,592
– More than one year, but not exceeding two years .....	2,659
– More than two years, but not more than five years .....	8,392
– More than five years .....	<u>12,399</u>
	<u>26,042</u>
Carrying amount of bank borrowings that contains a repayment on demand clause	<u>26,042</u>

In March 2015, pursuant to the Group Reorganisation, the management announced a plan to dispose of the properties investment business and all the leasehold land and buildings of the Group to related parties under common control of the Controlling Shareholders at an aggregate consideration of HK\$105,524,000 (the "Disposal"). The consideration of the leasehold land and properties at the date of disposal have been arrived at on the basis of a valuation carried out by Jones Lang LaSalle. Accordingly, the related assets and liabilities are classified as held for sale in the combined statements of financial position.

Upon the Disposal, the Group entered into an operating lease arrangement with the landlord to lease back the same leasehold land and buildings as the head office of the Company at a fixed monthly rental of HK\$235,000 for a lease term ending on 31 December 2017.

**35. MAJOR NON-CASH TRANSACTION**

As at 31 December 2014, there was an advance from the Controlling Shareholders amounting of HK\$2,000,000 which was then waived by the Controlling Shareholders in 2015 and was recorded in capital reserve as a deemed capital contribution.

On 31 March 2015, CloudBacko HK issued 190,000 additional ordinary shares to the Controlling Shareholders for HK\$190,000. The shares issue was settled by reduction in amounts due to related parties.

### 36. RELATED PARTY DISCLOSURES

Apart from details of the balances with related parties disclosed in the combined statements of financial position and other details disclosed elsewhere in the Financial Information, the Group also entered into the following significant transactions with related parties during the Track Record Period:

Name of related company	Nature of transactions	Year ended 31 December		Three months ended 31 March	
		2013 HK\$'000	2014 HK\$'000	2014 HK\$'000 (unaudited)	2015 HK\$'000
Million Trader Enterprises (Hong Kong) Limited	Management fee income received	145	274	76	—
	Interest income received	—	550	102	110
	Interest expenses paid	71	20	10	—
Ahsay Corporation Limited	Management fee income received	173	179	52	—
	Interest income received	131	16	16	—
	Interest expenses paid	20	—	—	—
	Rental expenses paid	1,320	1,320	330	330
	Motor vehicle rental expenses paid	240	240	60	60
Commonwill Development Limited*	Management fee income received	60	—	—	—
Advantage AC&R Equipment Supplies Co., Limited*	Management fee income received	374	359	107	—
Sau King Investments Limited*	Interest income received	100	204	51	48
Commonwill Catering Services Limited*	Interest expenses paid	—	12	—	—

Note:

\* Commonwill Development Limited, Advantage AC&R Equipment Supplies Co., Limited, Sau King Investments Limited and Commonwill Catering Services Limited are under common control of the Controlling Shareholders, and hence, they are related parties of the Group.

In the opinion of the management of the Group, all transactions disclosed in the table above will be discontinued after the Listing.

#### Compensation of key management of personnel

The directors of the Company are identified as key management members of the Company, and their compensation during the Track Record Period is set out in note 13.

### B. DIRECTORS' EMOLUMENTS

Save as disclosed in this report, no emoluments has been paid or is payable in respect of the Track Record Period by the Company or any of its subsidiaries to the Company's directors.

Under the arrangement presently in force, the aggregate amount of the directors' remunerations for the year ending 31 December 2015 is estimated to be approximately HK\$7,586,000.

**C. SUBSEQUENT EVENTS**

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2015:

- (1) The Group Reorganisation including the disposal of (i) the equity interest in Million Victory to Able Future (see notes 2 and 11); (ii) an investment property owned by Ahsay HK to a related party under common control of the Controlling Shareholders (see notes 11 and 34); and (iii) the leasehold land and buildings owned by Ahsay HK to Assets Sino Investments (HK) Limited (see note 34) were completed on 25 June 2015.

The consideration for the disposal of the Group's properties investment business comprised of above-mentioned (i) and (ii) is HK\$23,624,000, resulting in a gain on disposal of HK\$1,102,000. Payment of consideration amounting of HK\$18,430,000 was made in cash and the remaining HK\$5,194,000 was settled through current accounts.

The consideration for the disposal of the Group's leasehold land and buildings as mentioned in (iii) above is HK\$81,900,000, resulting in a gain on disposal of HK\$53,546,000. Payment of consideration amounting of HK\$28,354,000 was made in cash and the remaining HK\$53,546,000 was settled through current accounts.

- (2) Conditional upon the crediting of the Company's share premium account as a result of the allotment and issue of the 500,000,000 shares in connection with the initial listing of the shares of the Company by way of placing, the directors of the Company are authorised to capitalise an amount of HK\$14,999,999.98 standing to the credit of the share premium account of the Company to pay up in full at par 1,499,999,998 shares for allotment and issue to All Divine.

**D. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or its subsidiaries in respect of any period subsequent to 31 March 2015.

Yours faithfully,

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
Hong Kong



The information set out in this Appendix does not form part of the Accountants' Report on the financial information of our Group for the two years ended 31 December 2014 and the three months ended 31 March 2015 prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's reporting accountants, as set out in "Appendix I – Accountants' Report" and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in "Appendix I – Accountants' Report".

#### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The unaudited pro forma statement of adjusted combined net tangible assets of the Group prepared in accordance with Rule 7.31(1) of the GEM Listing Rules is set out below to illustrate the effect of the Placing on the audited combined net tangible assets of the Group as if the Placing had taken place on 31 March 2015.

The unaudited pro forma statement of adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2015 or any future dates following the Placing.

The following unaudited pro forma statement of adjusted combined net tangible assets of the Group is prepared based on the audited combined net tangible assets of the Group as at 31 March 2015 as shown in the Accountants' Report as set out in Appendix I to this prospectus, and adjusted as follows:

	Audited combined net tangible assets of the Group as at 31 March 2015	Estimated net proceeds from the Placing	Unaudited pro forma adjusted combined net tangible assets of the Group	Unaudited pro forma adjusted combined net tangible assets of the Group per Share
	HK\$'000 Note 1	HK\$'000 Note 2	HK\$'000	HK\$ Notes 3 & 4
500,000,000 shares to be issued based on the Placing Price of HK\$0.20 per Placing Share . . .	7,033	77,313	84,346	0.04

Notes:

- (1) The amount is determined based on the audited combined net assets of the Group as at 31 March 2015 of HK\$7,033,000, extracted from the Accountants' Report of the Group set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Placing are based on 500,000,000 Placing Shares to be issued at Placing Price of HK\$0.20 per Placing Share, after deduction of the estimated commissions and fees and other related expenses in connection with the Placing of HK\$22,687,000. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sub-sections headed "General Mandate" or "Repurchase Mandate" of the section headed "Share Capital" of this prospectus.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group per Share is arrived at on the basis of 2,000,000,000 Shares in total, assuming that 1,999,999,998 Shares were issued pursuant to the Placing and Capitalisation Issue had been completed on 31 March 2015. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by the Company pursuant to the general mandates granted to the Directors to issue or repurchase Shares referred to in the sub-sections headed "General Mandate" or "Repurchase Mandate" of the section headed "Share Capital" of this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2015.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of an assurance report received from our Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of our Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF AHSAY BACKUP SOFTWARE DEVELOPMENT COMPANY LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ahsay Backup Software Development Company Limited (formerly known as Ahsay Cloud Backup Software Development Company Limited) (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2015 and related notes as set out on page II-1 of Appendix II to the prospectus issued by the Company dated 25 September 2015 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited by way of placing (the "Placing") on the Group's financial position as at 31 March 2015 as if the Placing had taken place at 31 March 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 December 2014 and the three months ended 31 March 2015, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not

accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related unaudited pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;

- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong

25 September 2015

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 10 April 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Companies Law”). The Memorandum of Association (the “Memorandum”) and the Articles of Association (the “Articles”) comprise its constitution.

### **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### **2. ARTICLES OF ASSOCIATION**

The Articles were adopted on 4 September 2015 to take effect upon Listing. The following is a summary of certain provisions of the Articles:

#### **(a) Directors**

- (i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

- (ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

- (iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

- (iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

- (v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a

contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates (as defined in the Articles) is materially interested, but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
  - (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
  - (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
  - (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
  - (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s) as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a



Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, 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 at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed 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. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the members may by ordinary resolution appoint another in his place at the meeting at which such Director

is removed. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;
- (bb) becomes of unsound mind or dies;
- (cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by

the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(b) Alterations to constitutional documents**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(c) Alteration of capital**

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

**(d) Variation of rights of existing shares or classes of shares**

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Special resolution-majority required**

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles (see paragraph 2(i) below for further details).

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

**(f) Voting rights**

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

**(g) Requirements for annual general meetings**

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

**(h) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company shall make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

**(i) Notices of meetings and business to be conducted thereat**

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings (including an extraordinary general meeting) must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent (95%) of the total voting rights at the meeting of all the members.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

**(j) Transfer of shares**

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case



in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognise any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

**(k) Power for the Company to purchase its own shares**

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

**(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company**

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give



financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

**(m) Dividends and other methods of distribution**

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(n) Proxies**

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

**(o) Call on shares and forfeiture of shares**

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the

date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

**(p) Inspection of register of members**

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

**(q) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

**(r) Rights of the minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarised in paragraph 3(f) of this Appendix.

**(s) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(t) Untraceable members**

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(u) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “Court”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful

for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company shall be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company shall not be treated as a member for any purpose and shall not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share shall not be voted, directly or indirectly, at any meeting of the company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law. Further, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

**(f) Protection of minorities**

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.



In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Management**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.



The undertaking for the Company is for a period of twenty years from 12 May 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register shall be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

**(n) Winding up**

A company may be wound up compulsorily by order of the Court; voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the

resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (*pari passu* if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorised by the company's articles of association and published in the Gazette in the Cayman Islands.

#### **(o) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

#### **(p) Compulsory acquisition**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are

the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(q) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE GROUP****1. Incorporation of the Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 10 April 2015 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On 10 April 2015, one Share was allotted, issued and credited as fully paid to our Company's initial subscriber, which was subsequently transferred to All Divine on the same day.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and to its constitution, which comprises the Memorandum and the Articles of Association. A summary of the relevant laws and regulations of the Cayman Islands and of our Company's constitution is set out in Appendix III of this prospectus.

**2. Registration under Part 16 of the Companies Ordinance**

Our Company has established its head office and a principal place of business in Hong Kong at 28/F, Ford Glory Plaza, No. 37 Wing Hong Street, Lai Chi Kok, Hong Kong and was registered on 20 May 2015 as a non-Hong Kong company under Part 16 of the Companies Ordinance, with Mr. Schubert Chong of Flat A, 37<sup>th</sup> Floor, Tower 1, Manhattan Hill, 1 Po Lun Street, Kowloon, Hong Kong as an authorised person of our Company for the acceptance of service of process and notices in Hong Kong. The address for service of process and notices on our Company is the same as the address of the head office and principal place in Hong Kong.

**3. Changes in share capital of our Company**

The following sets out the changes in the share capital of our Company since the date of its incorporation:-

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares.
- (b) On 4 September 2015, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.
- (c) Immediately following completion of the Placing and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued upon the exercise the options which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$100,000,000 divided into 10,000,000,000 Shares and the issued share capital will be HK\$20,000,000 divided into 2,000,000,000 Shares, which will be issued fully paid or credited as fully paid, and 8,000,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the options which may be granted under the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of the Company, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and the paragraph headed "Reorganisation" of the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

**4. Resolutions in writing of the sole Shareholder passed on 4 September 2015**

Pursuant to the resolutions in writing of the sole Shareholder passed on 4 September 2015, among other things:

- (a) conditional upon the same conditions to be satisfied and/or waived as stated in the section headed “Structure and Conditions of the Placing” in the Prospectus, our Company approved and adopted the Memorandum and the Articles of Association;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional upon the conditions stated in the paragraph headed “Structure and Conditions of the Placing — Conditions of the Placing” in this prospectus being fulfilled or waived (as the case may be) on or before the dates and times specified in the Underwriting Agreement and in any event not later than the date falling 30 days after the date of this prospectus:
  - (i) the Placing were approved and the Directors were authorised to (aa) approve the allotment and issue of the Placing Shares pursuant to the Placing; (bb) implement the Placing and the listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Placing and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” of this appendix, were approved and adopted and our Directors or any such committee thereof were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, expedient or desirable to implement the Share Option Scheme and to vote on any matter connected therewith notwithstanding that they or any of them may be interested in the same;
  - (iii) conditional on the share premium account of our Company being credited as a result of the allotment and issue of the Placing Shares pursuant to the Placing, our Directors were authorised to capitalise the amount of HK\$14,999,999.98 standing on the credit of the share premium account of our Company by applying such sum to pay up in full at par a total of 1,499,999,998 Shares for allotment and issue to the person whose name appears on the register of members of our Company at the close of business on the date of such resolutions or as the Directors may direct, *pro-rata* to its existing shareholdings in our Company and the Directors were authorised to effect the same and to allot and issue the Shares, which shall rank *pari passu* in all respects with the then existing issued Shares, pursuant thereto;
  - (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, (otherwise than by way of rights issue, or scrip dividend schemes or similar arrangements providing for allotment and issue of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to the Placing or Capitalisation Issue) additional Shares with a total nominal amount not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue and to be issued immediately following the completion of the Placing and the Capitalisation Issue

(excluding the Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme); and (bb) the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to in sub-paragraph (v) below, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws to be held, or until revoked, varied or renewed by an ordinary resolution of the Shareholders in general meeting, whichever occurs first;

- (v) a general unconditional mandate (the “Repurchase Mandate”) was given to our Directors authorising them to exercise all powers of the Company to repurchase on the Stock Exchange or on any other approved stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, at such price and on such terms as may be determined by the Directors in their sole discretion, in accordance with all applicable laws and requirements of the GEM Listing Rules (or of such other stock exchange), and provided that immediately following the date on which any payment out of capital is proposed to be made in respect of any repurchase the Company shall be able to pay its debts as they fall due in the ordinary course of business, such number of Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue (excluding the Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the general unconditional mandate granted to our Directors pursuant to sub-paragraph (iv) above be extended by the aggregate nominal value of share capital of our Company repurchased pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the Placing and the Capitalisation Issue but excluding any Shares which may be issued and allotted pursuant to the exercise of any options that may be granted under the Share Option Scheme.

## **5. Group reorganisation**

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. For information with regard to our Reorganisation, please refer to the section headed “History, Development and Reorganisation” in this prospectus for details.

## **6. Changes in the share capital of the subsidiaries of our Company**

Our subsidiaries are listed in the Accountants’ Report set out in Appendix I to this prospectus.

Save as described above and in “History, Development and Reorganisation” in this prospectus, there has been no other alteration in the share capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

## **7. Repurchase by our Company of its own securities**

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.



**(a) Provisions of the GEM Listing Rules**

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the GEM subject to certain restrictions, a summary of which is set out below:

**(i) Shareholders' approval**

All proposed repurchases of securities, which must be fully paid up in the case of shares, on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of a general mandate or by a specific approval of a particular transaction.

**Note:**

Pursuant to the written resolutions passed by the sole Shareholder on 4 September 2015, a general unconditional mandate (the "Repurchase Mandate") was granted to the Directors authorising them to exercise all powers for and on behalf of our Company to repurchase its Shares on the Stock Exchange, or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Placing and the Capitalisation Issue (but excluding any Shares which may be allotted and issued under the Share Option Scheme) at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by the Articles of Association or any applicable laws to be held or when such mandate is revoked, varied or renewed by an ordinary resolution of the shareholders of our Company in a general meeting, whichever is the earliest.

**(ii) Source of funds**

Repurchases must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the Companies Law, the applicable laws of the Cayman Islands and the GEM Listing Rules. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

**(iii) Trading Restrictions**

The total number of Shares which the Company may repurchase on GEM is the number of Shares representing up to a maximum of 10% of the aggregate number of the aggregate nominal amount of the share capital of the Company in issue immediately following the completion of the Placing and the Capitalisation Issue (excluding any Shares which may be issued under the Share Option Scheme). The Company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the Company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, the Company is prohibited from repurchasing its Shares on GEM if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its Shares were traded on GEM. The GEM Listing Rules also prohibit the Company from repurchasing its securities which will result in Shares held by the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. The Company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

**(iv) Status of Repurchased Shares**

All repurchased securities (whether effected on GEM or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

**(v) Suspension of Repurchase**

The Company may not make any repurchase of securities at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period



of one month immediately preceding the earlier of: (aa) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and (bb) the deadline for the Company to announce its results for any year, half-year or quarter-year period under the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules), the Company may not repurchase its Shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if the Company has breached the GEM Listing Rules.

*(vi) Reporting Requirements*

Certain information relating to repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, the Company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such purchase, where relevant, and the aggregate prices paid.

*(vii) Shares to be repurchased*

The GEM Listing Rules provide that the shares which are proposed to be repurchased by a company must be fully paid up.

*(viii) Connected Persons*

The Company is prohibited from knowingly repurchasing securities on the Stock Exchange from a core connected person, which includes a Director, chief executive or substantial shareholder of our Company or any of the subsidiaries or a close associate of any of them and a core connected person is prohibited from knowingly selling his securities to our Company.

**(b) Reasons for repurchases**

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase the Shares in the market. Repurchases of the Shares will only be made when the Directors believe that such repurchases will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share.

**(c) Exercise of the purchase mandate**

Exercise in full of the purchase mandate on the basis of 2,000,000,000 Shares in issue immediately after the listing of the Shares (assuming no options granted under the Share Option Scheme are exercised) could accordingly result in up to 200,000,000 Shares being purchased by our Company during the period prior to (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general of our Company is required by the Hong Kong law or the Articles of Association; or (3) the revocation or variation of the purchase mandate by ordinary resolution of the shareholders of our Company in a general meeting, whichever occurs first.

**(d) Funding of repurchases**

Repurchases pursuant to the Repurchase Mandate would be financed out of funds of our Company legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. Our Directors consider that, if the repurchase mandate were to be exercised in full, it might have a material adverse effect on the

working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels.

**(e) Director's undertaking**

Our Directors have undertaken to the Stock Exchange that, they will exercise the power of our Company to make purchases of our Company's securities in accordance with the GEM Listing Rules, the applicable laws of the Cayman Islands and the Articles of Association.

**(f) Disclosure of interests**

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates, as defined in the GEM Listing Rules, has any present intention to sell any Shares to our Company or our subsidiaries. No core connected person, as defined in the GEM Listing Rules, has notified our Company that he or she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

**(g) Takeovers Code consequences**

If, as a result of a securities repurchase pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code.

Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

The Directors have no present intention to exercise the Repurchase Mandate to such an extent as would result in takeover obligations under the Takeovers Code.

## 8. Further information about members of our Group

A summary of the corporate information of our subsidiaries is set out as follows:

### PRC

**(1) 亞勢軟件（重慶）有限公司 (Ahsay Systems Corporation (Chongqing) Limited)**

Date of establishment:	25 February 2013
Registered office:	重慶市渝北區龍山街道餘松一支路 5 號龍湖紫都城 3-1 幢 30-16
Nature:	Limited liability company
Scope of business:	Backup software development, production and sales
Legal representative:	Mr. Chong Siu Pui
Registered capital:	RMB100,000
Paid up capital:	RMB100,000
Shareholder:	Ahsay Systems Corporation Limited
Term:	50 years

***Hong Kong*****(1) Ahsay Systems Corporation Limited**

Date of incorporation: 29 November 1994  
Registered office: 28/F, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Hong Kong  
Nature: Limited liability company  
Issued share capital: HK\$1,000,000

**(2) CloudBacko Limited**

Date of incorporation: 07 January 2014  
Registered office: 28/F, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Hong Kong  
Nature: Limited liability company  
Issued share capital: HK\$200,000

***BVI*****(1) Alpha Heritage Holdings Limited**

Date of incorporation: 10 March 2015  
Registered office: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola,  
British Virgin Islands  
Nature: BVI Business Company  
Authorised share capital: US\$50,000  
Issued share capital: US\$2

**(2) Apex Ace Investments Limited**

Date of incorporation: 11 March 2015  
Registered office: P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola,  
British Virgin Islands  
Nature: BVI Business Company  
Authorised share capital: US\$50,000  
Issued share capital: US\$1

**(3) CloudBacko Corporation**

Date of incorporation: 02 January 2014  
Registered office: Geneva Place, Waterfront Drive, P.O. Box 3469, Road Town, Tortola,  
British Virgin Islands  
Nature: BVI Business Company  
Authorised share capital: US\$50,000  
Issued share capital: US\$10

**B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP****1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by our Company or any of our subsidiaries within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Deed of Non-competition;














- (b) the Deed of Indemnity; and  
(c) the Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademarks

#### (i) Registered trademarks owned by our Group

As at the Latest Practicable Date, our Group had registered the following trademarks with the relevant authorities:








Trade mark	Territory	Class	Registration No.	Registered owner	Registration Date	Expiry Date
	Hong Kong	9, 35	300999000	Ahsay Systems Corporation Limited	22 November 2007	21 November 2017
						
	Community Trade Marks <sup>(1)</sup>	9, 35	006457154	Ahsay Systems Corporation Limited	23 November 2007	23 November 2017
	PRC	9	6606090	Ahsay Systems Corporation Limited	7 May 2010	6 May 2020
	PRC	35	6606091	Ahsay Systems Corporation Limited	7 September 2010	6 September 2020
	PRC	42	6606092	Ahsay Systems Corporation Limited	7 September 2010	6 September 2020
	USA	IC 009, IC 039, IC 042	3680573	Ahsay Systems Corporation Limited	8 September 2009	8 September 2019
	Hong Kong	9, 35, 42	303030263	CloudBacko Corporation	12 June 2014	11 June 2024
	Community Trade Marks	9, 35, 42	013118609	CloudBacko Corporation	28 July 2014	28 July 2024
	PRC	9, 42	14464101, 14464222	CloudBacko Corporation	7 June 2015	6 June 2025
	Hong Kong	9, 35, 42	303030254	CloudBacko Corporation	12 June 2014	11 June 2024
	Community Trade Marks	9, 35, 42	013118633	CloudBacko Corporation	28 July 2014	28 July 2024
	PRC	9, 42	14464078, 14464198	CloudBacko Corporation	7 June 2015	6 June 2025

Note:

(1) The countries/jurisdictions covered by a Community Trade Marks registration are Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom.

(ii) Application for registration of trademarks

As at the Latest Practicable Date, our Group has applied for registration of the following trademarks with the relevant authorities but registration of which has not yet been granted:

<u>Trade mark</u>	<u>Territory</u>	<u>Class</u>	<u>Application No.</u>	<u>Applicant</u>	<u>Application Date</u>
	PRC	35	14464163	CloudBacko Corporation	25 April 2014
	USA	9, 35, 42	86454196	CloudBacko Corporation	14 November 2014
	Canada	9, 35, 42	1742366	CloudBacko Corporation	19 August 2015
	PRC	35	14464144	CloudBacko Corporation	25 April 2014
	USA	9, 35, 42	86454200	CloudBacko Corporation	14 November 2014
	Canada	9, 35, 42	1742367	CloudBacko Corporation	19 August 2015
	Canada	9, 35, 42	1742365	Ahsay Systems Corporation Limited	19 August 2015

(b) **Domain names**

As at the Latest Practicable Date, our Group had registered the following domain name:

<u>Domain name</u>	<u>Registered owner</u>	<u>Commencement Date</u>	<u>Expiry Date</u>
ahsay.com . . . . .	Ahsay Systems Corporation Limited	17 May 2000	17 May 2018
cloudbacko.com . . . . .	CloudBacko Corporation	12 August 2013	12 August 2016
ahsay.com.hk . . . . .	Ahsay Systems Corporation Limited	21 January 2008	21 January 2016
cloudbacko.com.hk . . . . .	CloudBacko Limited	12 August 2013	12 August 2019
cloudbacko.co.uk . . . . .	Ahsay Systems Corporation Limited	16 August 2013	16 August 2015
cloudbacko.biz . . . . .	CloudBacko Corporation	12 August 2013	11 August 2016
cloudbacko.co . . . . .	Ahsay Systems Corporation Limited	15 August 2013	19 August 2015

Note: Contents in these domains do not form part of this prospectus.

### 3. Connected transactions and related party transactions

Save as disclosed in this prospectus and in notes 20 and 36 to the Accountants' Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

## C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 1. Directors

Immediately following completion of the Placing and the Capitalisation Issue and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, the interest or short position of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are listed are as follows:-

<u>Name of the Director</u>	<u>Capacity/nature of interest</u>	<u>Number and class of Shares<sup>(1)</sup></u>	<u>Approximate percentage of shareholding</u>
Mr. Chong King Fan . . . .	Interest of spouse	1,500,000,000 (L)	75%
Mr. Schubert Chong . . . .	Interest in a controlled corporation	1,500,000,000 (L)	75%
Mr. Scherring Chong . . .	Interest in a controlled corporation	1,500,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes the entity/person's long position in the securities.
- (2) Mr. Schubert Chong is deemed to be interested in the Shares held by All Divine as All Divine is wholly-owned by Able Future which is owned as to 40% by Mrs. Chong, 30% by Mr. Schubert Chong and 30% by Mr. Scherring Chong, respectively.
- (3) Mr. Scherring Chong is deemed to be interested in the Shares held by All Divine as All Divine is wholly-owned by Able Future which is owned as to 40% by Mrs. Chong, 30% by Mr. Schubert Chong and 30% by Mr. Scherring Chong, respectively.

### 2. Substantial Shareholders

Save as disclosed in the section headed "Substantial and Significant Shareholders" of this prospectus, our Directors confirm that they are not aware of any persons who will, immediately following completion of the Placing and the Capitalisation Issue, and not taking into account of any Shares which may be allotted and issued pursuant to the exercise any options which may be granted under the Share Option Scheme, (i) have an interest or short position in our Shares or underlying Shares or debentures which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or (ii) be interested, directly or indirectly, in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

### 3. Particulars of Directors' service contracts

#### (a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date and the annual director's fees of HK\$200,000, which may be terminated by not less than three months' notice in writing served by either the executive Director or our Company. Under their

respective service contracts, each of the executive Directors is entitled to a fixed salary, fixed director's fee and may be entitled to a discretionary bonus.

The appointments of the executive Directors are subject to the provision of retirement by rotation of Directors under the Articles of Association.

(b) Non-executive Director

Ms. Chong Siu Fan has signed an appointment letter with our Company for an initial term of three years commencing from the Listing Date. Under her appointment letter, she is entitled to a fixed annual director's fee of HK\$200,000. The appointment of the non-executive Director is subject to the provision of retirement by rotation of Directors under the Articles of Association.

(c) Independent Non-executive Directors

Each of the independent non-executive Directors has signed an appointment letter with our Company for an initial term of three years commencing from the Listing Date. Under their respective appointment letters, each of the independent non-executive Directors is entitled to a fixed annual director's fee of HK\$200,000. The appointments of the independent non-executive Directors are subject to the provision of retirement by rotation of Directors under the Articles of Association.

Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation under than statutory compensation).

#### 4. Directors' remuneration

For the years ended 31 December 2013 and 2014 and the three months ended 31 March 2015, the aggregate of the remuneration paid and benefits in kind granted to our Directors by our Group were approximately HK\$10,490,000, HK\$9,842,000 and HK\$2,262,000, respectively. Further information in respect of the Directors' remuneration is set forth in Appendix I to this prospectus.

Under the arrangements currently in force, the estimated aggregate remuneration, excluding discretionary bonus, of our Directors payable for the year ending 31 December 2015 to be approximately HK\$7,586,000.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments during the Track Record Period.

#### 5. Disclaimers

Save as disclosed in this prospectus:

- (a) without taking into account of any Shares which may be taken up or acquired under the Placing or any options which may be granted under the Share Option Scheme, so far as the Directors are aware, none of the Directors or the chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of our associated corporation (within the meaning of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange, pursuant Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are listed;



- (b) so far as the Directors are aware, none of the Directors or experts referred to under the paragraph headed “Qualification of experts” in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of the Directors or experts referred to under the paragraph headed “Qualification of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) none of the Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) without taking into account of any Shares which may be taken up or acquired under the Placing or any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or the chief executive of our Company) who will, immediately following completion of the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed “Qualification of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (g) none of the Directors, their respective associates (as defined under the GEM Listing Rules), or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interest in our Group’s five largest customers and five largest suppliers.

## D. SHARE OPTION SCHEME

### 1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted pursuant to a resolution in writing passed by the Sole Shareholder on 4 September 2015:

For the purpose of this section, references to the (a) “**Board**” shall mean the Board from time to time or a duly authorised committee thereof; (b) “**Employee**” shall mean any employee (whether full time or part time employee, including any executive Director but not any non-executive Director) of our Group and any Invested Entity; (c) “**Participant**” shall mean: (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; and (d) “**Invested Entity**” shall mean any entity in which our Group holds any equity interest (irrespective of the percentage of such equity interest).

(a) Purpose of the scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to the Participants for their contribution to the growth of our 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,

provided that for the purpose of calculating the subscription price, where the Shares have been listed on the Stock Exchange for less than five trading days, the new issue price shall be used as the closing price for any trading day falling within the period before such listing. Upon acceptance of the option, the grantee shall pay HK\$1 to our Company by way of consideration for the grant.

(d) Restriction on time of grant of option

No offer for grant of options shall be made after inside information has come to our Company's knowledge until we have announced the information. In particular, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the announcement of the results, no option shall be granted. Options may be granted to any company wholly-owned by a Participant.

Our Directors may not grant any option to a Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares under such circumstances as

prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

(e) Maximum number of Shares

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group shall not, in aggregate, exceed 10% of the total number of Shares in issue immediately following completion of the Placing (the "Scheme Mandate Limit") (i.e. not exceeding 200,000,000 Shares, without taking into account any Shares which may be allotted and issued upon the exercise of the options granted under the Share Option Scheme) unless our Company seeks the approval of the Shareholders in general meeting for refreshing the Scheme Mandate Limit in accordance with (ii) below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group shall not be counted for the purpose of calculating whether the Scheme Mandate Limit has been exceeded.
- (ii) Our Company may seek approval of Shareholders in general meetings for refreshing the Scheme Mandate Limit provided that the total number of Shares in respect of which Options may be granted under the Share Option Scheme and any other share option schemes of our Group as "**refreshed**" shall not exceed 10% of the total number of Shares in issue as at the date of the approval by the Shareholders of the refreshment of the Scheme Mandate Limit. All options granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Group and exercised options) prior to the approval of such refreshment shall not be counted for the purpose of calculating whether the refreshed Scheme Mandate Limit has been exceeded. For the purpose of seeking the approval, our Company shall send a circular to the Shareholders.
- (iii) Our Company may grant options to Participant(s) beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting provided that the proposed grantee(s) of such option(s) must be specifically identified by our Company before such approval is sought. In seeking such approval, a circular must be sent to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of these options serve such purpose.

Notwithstanding the above, the maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time.

(f) 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 the such further grant would exceed 1% of the Shares in issue as at the date of such further grant unless such further grant has been approved by the Shareholders in general meeting with the Participant and his associates abstaining from voting. A circular must be sent to the Shareholders disclosing, among other things, the identity of the Participant and the number and terms of the options to be granted and options previously granted to such Participant. The number and terms (including the subscription price) of the options to be granted to such Participant must be fixed before the Shareholders' approval and the date of meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the subscription price.

(g) Granting options to connected persons

Any grant of option to our Directors, chief executive or Substantial Shareholders or any of their respective associates under the Share Option Scheme must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the relevant options).

Where any proposed grant of option is made to a Substantial Shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including exercised, cancelled and outstanding options) to such person in the 12-month period up to and including the date of such grant:-

- (i) representing in aggregate over 0.1% of the Shares in issue on the date of grant; and
- (ii) having an aggregate value in excess of HK\$5,000,000 based on the closing price of the Shares at the date of each grant,

then the proposed grant of option must be subject to approval by Shareholders in accordance with the GEM Listing Rules.

(h) 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.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may in its absolute discretion determine which shall not be more than ten years from the date of grant of the option and the Board may at its discretion determine the minimum period for which the option has to be held or restrictions before the exercise of the subscription right attaching to an option.

(i) 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. In the event that the option is granted to a company wholly-owned by a Participant, such Participant shall not sell, transfer, encumber, charge, mortgage or create any interest in favour of any third party over or in relation to the share capital of such company wholly-owned by him. Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Rights on ceasing employment

In the event of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by the Participant), who being an Employee on the date of grant, ceasing to be an Employee for any reason other than death or the termination of employment on one or more of the grounds referred to in (l) below before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless the Board otherwise determines in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as the Board may determine following the date of such cessation or termination or, if any of the events referred to in (n) or (o) below occur during such period, exercise the option pursuant to (n) or (o) below respectively. The date of cessation or termination as aforesaid shall be the last day on which the grantee was actually at work with our Group whether salary is paid in lieu of notice or not (provided that the

retirement of director(s) of our Group or the relevant Invested Entity at an annual general meeting of such member or Invested Entity who is/are re-elected at the same annual general meeting shall not be regarded as ceasing employment for the purpose of this paragraph).

(k) Rights on death

In the event of the death of the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) and provided that in the event the grantee (or the beneficial owner of the grantee, as the case may be) being an Employee on the date of grant, none of the events which would be a ground for termination of employment referred to in (l) below arises prior to the death, the legal personal representative(s) of the grantee shall be entitled within a period of 12 months from the date of death to exercise the option up to the entitlement of such grantee as at the date of death in whole or in part (to the extent which has become exercisable and not already exercised).

(l) Rights on dismissal

In the event the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant), being an Employee on the date of grant, ceases to be an Employee by reason of the termination of employment on any one or more of the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Company or the relevant subsidiary of our Group or the relevant Invested Entity, his right to exercise the option shall lapse automatically and become not exercisable (to the extent not already exercised) on the date on which the grantee ceases to be an Employee.

(m) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company while any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party or a placing or subscription of Shares in cash), such corresponding alterations (if any), certified in writing by an independent financial adviser or the auditors of our Company for the time being as fair and reasonable, shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription price; and/or the maximum number of Shares referred to in sub-paragraph (e) above, provided that no such alteration shall be made so that a Share would be issued at less than its nominal value (and in such circumstances, the subscription price shall be reduced to the nominal value). Any such alteration must be made so that each grantee is given the same proportion of the equity capital of our Company as such grantee was previously entitled. Any adjustment made to the exercise price of, and/or the number of Shares subject to, any options must comply with the GEM Listing Rules and the supplemental guidance issued by the Stock Exchange on 5 September 2005 and any further guidance or interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(n) Rights on a general offer

If a general or partial offer (whether by way of takeover offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror), with the terms of the offer having been approved by any relevant regulatory authority and are in accordance with applicable laws and regulatory requirements and such offer becomes or is declared unconditional prior to the expiry of the option, the grantee (or, as the case

may be, his legal personal representatives) shall be entitled to exercise the option in full (to the extent which has become exercisable and not already exercised) at any time within fourteen days after the date on which the offer becomes or is declared unconditional.

(o) Rights on winding-up

In the event a notice is given by our Company to our members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his options (to the extent which has become exercisable and not already exercised) at any time not later than five business days immediately prior to the date of the proposed general meeting referred to above, issue and allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation.

(p) Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same day as or soon after we give notice of the meeting to our members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or his legal representative(s)) may, forthwith and until the expiry of the period commencing from such date and ending on the earlier of:-

- (i) the date falling two calendar months thereafter; or
- (ii) the date on which such compromise or arrangement is sanctioned by Court,

exercise his option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. Our Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his option so as to place the grantee in the same position as nearly as possible as would have been the case had such Shares been subject to such compromise or arrangement.

(q) Lapse of option

The right to exercise an option shall lapse automatically (to the extent not already exercised) on the earliest of:-

- (i) the expiry of the option period;
- (ii) the date on which the grantee commits a breach of (i) above;
- (iii) the expiry of any of the periods referred to in (j) or (k) above;
- (iv) the date on which the offer (or, as the case may be, revised offer) referred to in (n) above closes;
- (v) subject to (o) above, the date of commencement of the winding-up of our Company;
- (vi) subject to the proposed compromise or arrangement becoming effective, the expiry of the period referred to in (p) above;



- (vii) the date on which the grantee (or the beneficial owner of the grantee in the event that the option is granted to a company wholly-owned by a Participant) ceasing to be an Employee by reason of (l) above; or
- (viii) the date on which our Directors shall at their absolute discretion determine that the grantee (other than an Employee) or his associate has committed any breach of contract entered into between the grantee or his associate on the one part and our Group or any Invested Entity on the other part or that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally.

(r) Ranking of Shares

The Shares to be issued and allotted upon the exercise of an option will be subject to all provisions of the Articles of Association and the Companies Law for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue as from the day when the name of the grantee is registered on the register of members of our Company and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date when the name of the grantee is registered on the register of members of our Company other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date when the name of the grantee is registered on the register of members of our Company.

Unless the context otherwise requires, reference to “**Shares**” in this paragraph include shares in the share capital of our Company of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of such shares from time to time of forming part of the ordinary equity share capital of our Company.

(s) Duration of the Share Option Scheme

Our Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options shall be offered but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to such termination or otherwise as may be required in accordance with the provision of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Subject to the aforesaid, 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.

(t) Alterations to the Share Option Scheme

The Share Option Scheme may be altered from time to time in any respect to the extent allowed by the GEM Listing Rules by a resolution of the Board except that alterations to the provisions of the Share Option Scheme relating to:-

- (i) matters set out in Rule 23.03 of the GEM Listing Rules which are to the advantage of grantees or prospective grantees;
- (ii) the terms and conditions of the Share Option Scheme which are of a material nature or the terms of the options granted (except where such alterations take effect automatically under the existing terms of the Share Option Scheme); and



- (iii) the authority of the Board in relation to any alteration to the terms of the Share Option Scheme,

must be approved by the Shareholders in general meeting (with all grantees, prospective grantees and their associates abstaining from voting and the votes taken by poll). The amended terms of the Share Option Scheme or the options shall comply with the requirements of Chapter 23 of the GEM Listing Rules (subject to such waiver as may be granted by the Stock Exchange from time to time).

- (u) Cancellation of options granted

Any cancellation of options granted but not exercised shall require approval of the Board. Where any option is cancelled and new options are to be issued to the same Participant, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders as set out in (e) above.

- (v) Performance target

There is no performance target which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions as the Board may determine in its absolute discretion.

- (w) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, exercise period, interest rate, expected volatility and other variables. As no option has been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to the investors.

- (x) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

- (1) the passing of the necessary resolution by the Shareholder(s), written resolutions to approve and adopt the Share Option Scheme, and to authorise the Board to grant the options thereunder and to allot, issue and deal with the Shares which fall to be issued by our Company pursuant to the exercise of the options under the Share Option Scheme;
- (2) the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein, and including any Shares to be issued pursuant to the exercise of options under the Share Option Scheme;
- (3) the obligations of the Underwriters under the Underwriting Agreement having become unconditional (including, if relevant, following the waiver of any condition(s)) and the Underwriting Agreement not being terminated in accordance with the terms therein or otherwise; and
- (4) the commencement of trading in Shares on the Stock Exchange.

## **2. Present status of the Share Option Scheme**

No options have been granted or agreed to be granted by our Company under the Share Option Scheme as at the Latest Practicable Date.

An application has been made to the Stock Exchange for the approval of the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options under the Share Option Scheme.

## **E. OTHER INFORMATION**

### **1. Estate duty, tax and other indemnity**

Our Controlling Shareholders (collectively the “Indemnifiers”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of our subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by virtue of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong, as amended from time to time)) to any member of our Group on or before the date on which the Placing becomes unconditional. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the BVI and Hong Kong.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation (which includes estate duty) in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which the Placing becomes unconditional, save as to such circumstances including:-

- (a) to the extent that full provision has been made for such taxation in the audited consolidated accounts of our Group for the two years ended 31 December 2014 and the three months ended 31 March 2015, as set out in Appendix I to this prospectus;
- (b) to the extent that such taxation arises or is incurred as a result of any retrospective change in law or retrospective increase in tax rates coming into force after the Listing Date;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is/are carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the Listing Date; or
- (d) to the extent of any provisions or reserve made for taxation in the audited accounts of any member of our Group for the Track Record Period which is finally established to be an over-provision or an excessive reserve.

### **2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance is pending or threatened by or against any member of our Group.

### **3. Sole Sponsor**

The Sole Sponsor have made an application on behalf our Company to the Stock Exchange for a listing of, and permission to deal in, all the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to any options as may be granted under the Share Option Scheme).

### **4. Sponsor’s fee**

The Sponsor’s fee is HK\$4,650,000.

## 5. Preliminary expenses

The preliminary expenses in relation to the incorporation of our Company in the Cayman Islands were approximately HK\$96,000 and were paid by our Group.

## 6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this prospectus, no cash, securities or other benefits has been paid, allotted or given to any promoters in connection with the Placing and the related transactions described in this prospectus within the two years preceding the date of this prospectus.

## 7. Agency fees or commissions received

Save as disclosed in this prospectus, no commissions, discounts, brokerages or other special terms were granted within the two years preceding the date of this prospectus in connection with the issue or sale of any capital of any member of our Group.

## 8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

<u>Name</u>	<u>Qualifications</u>
V Baron Global Financial Services Limited	Licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices	Qualified PRC lawyers
Frost & Sullivan Limited	Industry consultants
DLA Piper Hong Kong	Legal advisers as to International Sanctions Laws
Mr. Frederick Fong	Barrister-at-law, Hong Kong

## 9. Consents of experts

Each of V Baron Global Financial Services Limited, Deloitte Touche Tohmatsu, Conyers Dill & Pearman, Commerce & Finance Law Offices, Frost & Sullivan Limited, DLA Piper Hong Kong and Mr. Frederick Fong has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or valuation certificate (as the case may be) and/or the references to its name included herein in the form and context in which it is respectively included.

## 10. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance insofar as applicable.

## 11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of

Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## 12. Taxation

### (a) *Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

### (b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of Shares provided that the Company does not hold any interests in land in the Cayman Islands.

Potential investors in the Placing are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. None of our Company, the Directors, the Sole Sponsor or the other parties involved in the Placing accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding or disposal of, or dealing in, the Shares or exercise of any rights attaching to them.

## 13. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no share, warrant or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
  - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
  - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
  - (vi) our Group has no outstanding convertible debt securities or debentures.
- (b) No member of our Group is presently listed on any stock exchange or traded on any trading system.
- (c) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 24 months immediately preceding the date of this prospectus.
- (d) All necessary arrangements have been made to enable the Shares to be admitted into the CCASS for clearing and settlement.

- (e) The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2015 (being the date to which the latest audited combined financial statements of our Group were made up).
- (f) There is no arrangement under which future dividends are waived or agreed to be waived.
- (g) Our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name by our Company in conjunction with the English name does not contravene Cayman Islands law.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were the written consents referred to in the paragraph headed “E. Other Information — 9. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of K&L Gates at 44th Floor, Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (1) the Memorandum and the Articles of Association;
- (2) the accountants’ report of our Group from Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I to this prospectus;
- (3) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of our Group, the text of which is set forth in Section B of Appendix II to this prospectus;
- (4) the audited consolidated financial statements of our Group for the two financial years ended 31 December 2014;
- (5) the letter prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (6) the Companies Law;
- (7) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (8) the service agreements and letters of appointment referred to in the paragraph headed “C. Further Information about Directors and Substantial Shareholders — 3. Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (9) the rules of the Share Option Scheme;
- (10) the written consents referred to in the paragraph headed “E. Other Information — 9. Consents of experts” in Appendix IV to this prospectus;
- (11) the legal opinions prepared by Commerce & Finance Law Offices, our legal advisers as to the PRC law, in respect of certain aspects of our Group and our property interests in China;
- (12) the Hong Kong legal opinion in relation to compliance of our Group with the Predecessor Companies Ordinance, the Companies Ordinance and the Business Registration Ordinance issued by Mr. Frederick Fong, Barrister-at-law, Hong Kong; and
- (13) the international sanctions memorandum issued by DLA Piper Hong Kong in respect of our Group’s sales in Sanctioned Countries.



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

