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

2018 ANNUAL REPORT

AhsayCBS AhsayOBM AhsayACB AhsayPRD AhsayUBS

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chong Siu Pui
Mr. Chong Kam Fung

COMPANY SECRETARY

Mr. Chong Kam Fung *(FCPA)*

COMPLIANCE OFFICER

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor, Ford Glory Plaza
No. 37 Wing Hong Street
Lai Chi Kok
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
Chong Hing Bank Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISER

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

STOCK CODE

8290

WEBSITE

www.ahsay.com.hk

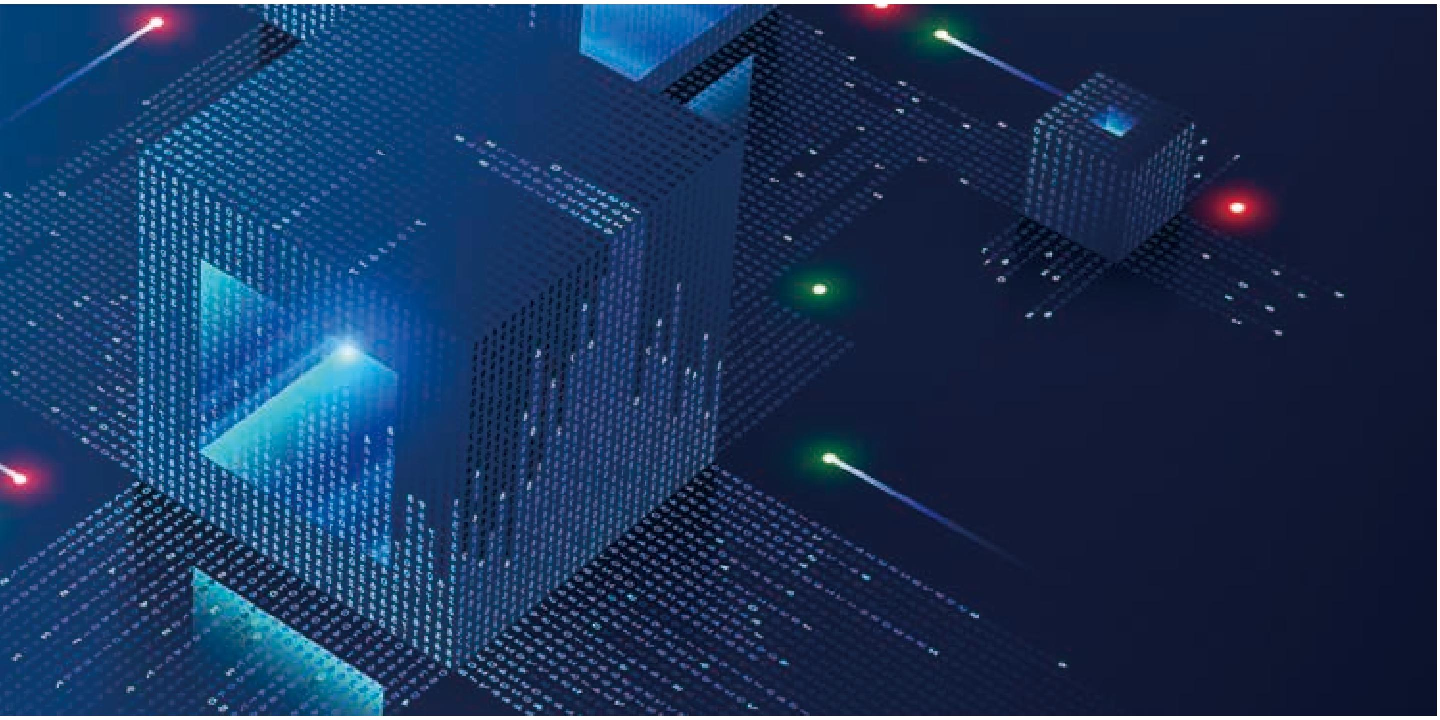
Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Ahsay Backup Software Development Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2018.

For the year ended 31 December 2018, the Group has recorded a total revenue of approximately HK$63.0 million, representing an increase of approximately 9.4% as compared to approximately HK$57.6 million for the year ended 31 December 2017. The Group recorded a profit attributable to owners of approximately HK$7.9 million for the year ended 31 December 2018 as compared to a loss of approximately HK$0.7 million for the corresponding period in 2017. The turnaround from loss to profit is mainly attributable to (i) the continuing increase in revenue resulting from a higher adoption rate of AhsayTM Backup Software Version 7 ("Version 7") and (ii) the decrease in staff costs and advertising and marketing expenses by enhancing the efficiency of resources allocation,as compared to that of the corresponding period last year. By upgrading the existing software products of its core business and improving its technology, the Group achieved a steady revenue in the segment.

During the year ended 31 December 2018, the Group has purchased an office unit in the Philippines to provide a more stable environment in view of continuing expansion of our local talent pool. The provision of a safe, healthy and harmony working environment and the well-being of employees are of ultimate priorities to the Group. With ownership of the office unit in the Philippines, it allows us to have better cost control for further expansion and attract more talents to join the Ahsay family for better human resources re-allocation. During the year, the number of staff in Philippines has increased from 5 in 2017 to 15 as of December 2018. The additional talents support not only our existing customer support operations but also our quality assurance and development operations. With our continuous expansion of the operations and the



on-going efforts of our experienced management team during the year, we believe that the Group has further enhancements the competitiveness of our core products and customer services in the foreseeable future.

Given the Group's extensive experience in the backup software industry and diversified global customer base of the online backup software business, we remain positive about the long-term development of the Group. The Group is continuing its focus on its core business and utilising its available resources to continue the development of new features for the next version of Ahsay™ Backup Software. The Group would also manage its operations with improvements in product quality.

Added to the information sharing platform, KINTIPS, the Group has launched another website and mobile-application named KINBOY (堅仔) which is an online all-in-one platform for horse racing information. It provides race cards, current odds, result and dividends reports and other related information of horse racing. With the Group's experienced expertise in information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify into the mobile-application industry.

On behalf of the Board, I would like to express my sincere gratitude to all of our valuable customers, business partners and staff who have close business relationship with the Group, and express sincere thanks to our shareholders for their strong and enduring support since the listing of the Group. To show our appreciation to all of you for your confidence and support, the Group will be dedicated to striving for better returns for our investors.

Chong King Fan
Chairman

Hong Kong
8 March 2019

Management Discussion and Analysis

Use of Proceeds

Reference is made to the prospectus of the Company dated 25 September 2015 (the "Prospectus") and the announcement issued by the Company dated 17 March 2017 in relation to the change in use of proceeds from the listing of the Company's shares on GEM (the "First Change in Use of Proceeds Announcement"). Unless otherwise defined, capitalised terms used in this report shall have the same meanings as those defined in the Prospectus and the First Change in Use of Proceeds Announcement.

On 5 August 2018, net proceeds of approximately HK$24.4 million were allocated for pursuing selective acquisition and partnership has not been utilised by the Group due to the lack of suitable potential acquisition and partnership targets.

Reference is made to the announcement issued by the Company dated 5 August 2018 in relation to the further change in use of proceeds, in order to enhance the allocation of the financial resources and to cope with the continuing development and operations of the businesses of the Group so as to maximise its investment returns, the Board has resolved to further change (the "Further Change") the use of approximately HK$13.5 million originally allocated for pursuing selective acquisition and partnership as follows:

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

(ii) approximately HK$3.0 million for the development and marketing activities of an online smartphone platform which is designed to provide information sharing service in Hong Kong (the "Platform"); and

(iii) approximately HK$2.8 million for purchase of an office unit in Manila, Philippines.

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

Use of proceeds	Original use of net proceeds HK$'000	Revised use of net proceeds as disclosed in the First Change in Use of Proceeds HK$'000	Revised use of net proceeds (after the Further Change) HK$'000	Utilised amount (as at 31 December 2018) HK$'000	Revised unutilise net proceeds as at 31 December 2018 (after the Further Change) HK$'000
1. Strengthen our software development capabilities	11,040	11,040	11,040	9,046	1,994
2. Broaden our customer base	7,874	7,874	7,874	7,874	—
3. Pursue selective acquisition and partnership	50,566	24,361	10,841	—	10,841
4. Working capital and other general corporate purpose	7,720	15,440	23,160	19,636	3,524
5. Development and marketing activities of the Platform	—	10,000	13,000	12,723	277
6. Repayment of bank borrowing	—	8,485	8,485	8,485	—
7. Purchase of an office unit in Manila, Philippines	—	—	2,800	2,800	—
Total	77,200	77,200	77,200	60,564	16,636

Save for the aforesaid changes, there is no other change of use of proceeds from the Placing allocated for other purposes as disclosed in the First Change in Use of Proceeds Announcement and the Further Change in Use of Proceeds Announcement.

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

Business Review

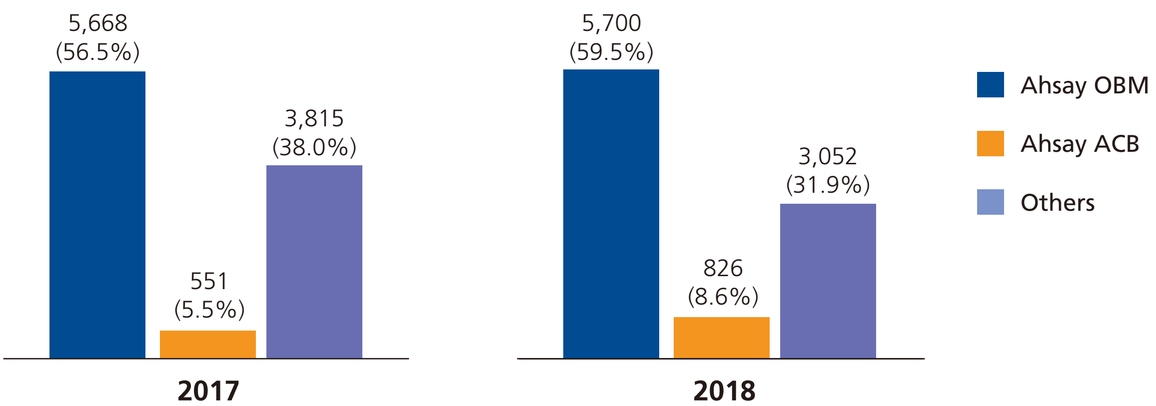
Increasing adoption of data backup software and various cloud-based technologies by various industries are major factors boosting growth of the global data backup software market in 2018. In view of the potential risk of hardware failure, data breach and human error, more and more businesses have increased their investment in data backup systems. Apart from data backup, data security is also an essential area to be improved on currently. Ransomware has become more and more advanced and common on the internet. It is undeniable that data has long been of crucial value to business operations. To avoid heavy losses due to inadequate backup system, installing an effective backup software solution is a growing trend to protect data nowadays. The demands of global backup software market and small and medium enterprise ("SMEs") for backup software products and relevant support services are expected to continue to increase in the foreseeable future.

Revenue of the Group increased by approximately HK$5.4 million, or 9.4% from approximately HK$57.6 million for the year ended 31 December 2017 to approximately HK$63.0 million for the year ended 31 December 2018.

For the year ended 31 December 2018, Ahsay Online Backup Manager ("Ahsay OBM") and Ahsay A-Click Backup ("Ahsay ACB"), core components of Ahsay™ Backup Software, in aggregation accounted for approximately 76.4% of the revenue from software license sales and leasing of the Group. The following graphs show a breakdown of the revenue from software license sales and leasing of the Group for the year ended 31 December 2017 and 2018, respectively:

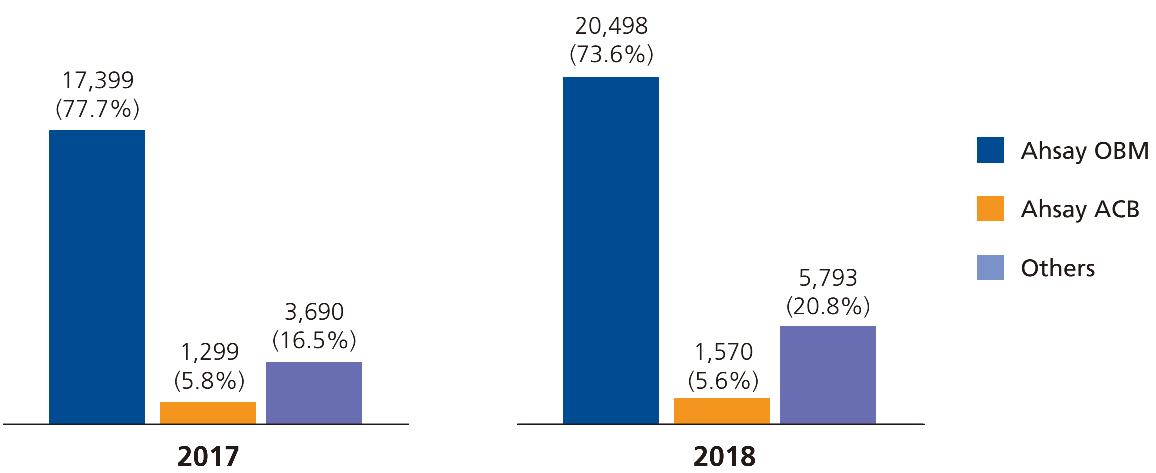
i) Revenue by software license sales

(HK$'000)



ii) Revenue by software license leasing

(HK$'000)



Management Discussion and Analysis

For the year ended 31 December 2018, the number of license sales of Ahsay OBM was 20,186 as compared with 18,654 of the corresponding period in 2017, representing an increase of approximately 8.2%. Such increase was mainly due to the average price per unit decreased by approximately HK$21.5 or 7.1% from approximately HK$303.9 per unit in 2017 to approximately HK$282.4 per unit in 2018 as a result of the promotional discount offered to customers during the year.

For the year ended 31 December 2018, the number of license sales of Ahsay ACB was 5,202 as compared with 5,243 of the corresponding period in 2017, representing a decrease of approximately 0.8%. In view of the stabilisation and new features of the Version 7, we increased in average price per unit of Ahsay ACB license by 51.0% from approximately HK$105.2 per unit in 2017 to approximately HK$158.8 per unit in 2018, and thus lead to an increase in revenue of license sales of Ahsay ACB.

For the year ended 31 December 2018, the monthly sum of license leasing for Ahsay OBM was 369,594 as compared with 335,199 of the corresponding period in 2017, representing an increase of approximately 10.3%. With the increase of market acceptance and adoption rate of Version 7, we increased in average price per month by approximately HK$3.6 or 6.9% from approximately HK$51.9 per month in 2017 to approximately HK$55.5 per month in 2018.

For the year ended 31 December 2018, the monthly sum of license leasing for Ahsay ACB was 158,970 as compared with 156,675 of the corresponding period in 2017, representing a decrease of approximately 1.5%. This was mainly due to the average unit price per month increased by approximately HK$1.6 or 19.3% from approximately HK$8.3 in 2017 to approximately HK$9.9 in 2018.

The Group will continue to develop its existing businesses while staying alert on the market trends and needs so as to create a competitive edge over our products and to provide more integrated and comprehensive features for our products. In addition, customer care and quality of products have long been crucial elements to our business success. To further expand our existing operations, we have purchased an office unit in the Philippines in order to attract more talent to enhance our customer support services, quality assurance and development operations.

With sufficient resources and additional talent, the Group would continue to integrate its business development with market needs and upgrade its existing products and technology in a timely manner in order to keep pace with technological advancements in the market. The Group believes such efforts can help strengthen its customer relationships and will ultimately enhance the competitiveness of its core products and customer services in the foreseeable future.

Principal Risks and Uncertainties

— The Group derived substantially all of its revenue from software license sales and leasing and software upgrades and maintenance services from Ahsay™ Backup Software for the year ended 31 December 2018. Any failure to continuously maintain or enhance the performance of Ahsay™ Backup Software and end-user experience and launch high-quality new software could materially and adversely affect the business and results of operations.

— The performance of the Group relies heavily on its key executives. Business of the Group may be adversely affected if they or any of them cease to serve the Group in the future and the Group was unable to find suitable replacement.

— The Group may be unable to attract or retain skilled staff. Any shortfall in skilled workforce or increase in staff costs may materially and adversely affect its business operations and financial performance, and the Group may not be able to effectively execute the business strategies to drive growth.

— Any failure to protect the intellectual property rights of the Group could reduce the value of its products, services and brands.

— Any failure to recover software development costs could affect the business prospects and profitability of the Group.

— The Group faces intense competition, which could reduce the market share and materially and adversely affect the results of operations and growth prospects of the Group.

Management Discussion and Analysis

Outlook

Core Backup Business

Due to the improvement of the stability of Version 7, the Group recorded a segment profit from core backup business of approximately HK$14.5 million and HK$9.2 million for the year ended 31 December 2018 and 2017, respectively.

To achieve customized development of products and keep pace with technological advancement, Ahsay™ Backup Software Version 8 ("Version 8") has been launched in January 2019. Version 8 incorporates various new features including Office 365 SharePoint Online Backup and etc. It has been enhanced the Office 365 backup features which can cover all types of data backups for Office 365. With efficient enhancement of the functionalities of its various products, it would provide better user experience.

In February 2019, Ahsay Systems Corporation Limited ("Ahsay HK") entered into a memorandum of understanding (the "MOU") with Orangetech Co., Ltd. ("Orangetech"), a company incorporated in the Republic of Korea ("Korea"). Orangetech is an information technology company.

Pursuant to the MOU, Ahsay HK and Orangetech intended to share strategic recognition of creating new business opportunities by building a cooperative relationship and by providing value to the customer for security backup solution business mainly in public sector.

Currently, the Group principally engages in sales to the customers through our sales websites. However, the Group intends to expand our business by arranging additional distribution channels for offering our products to customers. The Board believes that having Orangetech as a distributor of the Group in Korea under the MOU represents a good opportunity for the Group to expand its distribution channel as well as to increase its market share in Korea.

Looking forward, the Group will dedicate significant resources to continue the development of new features and the improvement in the usability of Ahsay™ Backup Software with customer value orientated focus. It is believed that such focus on customer value would enhance the Group's market share in the backup software sector in the coming years.

Information Sharing Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed an online information sharing platform, which includes a website and a mobile-application both named KINTIPS (堅料) designed to provide information sharing services in Hong Kong. KINTIPS was officially launched in December 2016. KINTIPS is a trading platform for horse racing tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website or mobile application.

During the year, KINTIPS LIMITED has launched another website and mobile-application named KINBOY (堅仔) which is an online all-in-one platform for horse racing information. It provides race cards, current odds, result and dividends reports and other related information of horse racing. Both mobile application of KINTIPS and KINBOY can be installed on mobile devices that operate on the Android OS or Apple iOS systems.

In a fast paced world nowadays, mobile devices have become the first choice for every user to browse and interact online. The develop such to mobile-application market is expanding exponentially. With the Group's experience in the information technology industry, we believe the Group can make use of KINTIPS and KINBOY to diversify into the mobile-application industry. For the year ended 31 December 2018, the revenue contribution of the information sharing platform to the Group was not material.

Financial Review

Overview

For the year ended 31 December 2018, the Group recorded revenue of approximately HK$63.0 million, representing an increase of approximately 9.4% as compared to approximately HK$57.6 million for the year ended 31 December 2017. The Group recorded a profit attributable to owners of approximately HK$7.9 million for the year ended 31 December 2018 as compared to a loss of approximately HK$0.7 million for the corresponding period in 2017. The turnaround from loss to profit is mainly attributable to (i) the continuing increase in revenue resulting from a higher adoption rate of Version 7 and (ii) the decrease in staff costs and related expenses and advertising and marketing expenses by enhancing the efficiency of resources allocation, as compared to that of the corresponding period last year.

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services and related services. Revenue of approximately HK$63.0 million and approximately HK$57.6 million was recognised for the year ended 31 December 2018 and 31 December 2017, respectively, which represents an increase of approximately HK$5.4 million or approximately 9.4%.

The revenue increment for the year ended 31 December 2018 was mainly due to the increase in revenue from software license leasing of approximately HK$5.5 million, mainly resulting from a higher adoption rate of Version 7 compared with the same period in 2017.

Other income

Other income increased by approximately HK$0.7 million or 140% from approximately HK$0.5 million for the year ended 31 December 2017 to approximately HK$1.2 million for the year ended 31 December 2018. The increase for the year ended 31 December 2018 was mainly due to the increase in bank interest income as a result of the combined effect of the increase in the average interest rate and more funds placed in time deposits compared with the same period in 2017.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised of salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses decreased by approximately HK$2.6 million or 6.2%, to approximately HK$39.5 million for the year ended 31 December 2018 from approximately HK$42.1 million for the year ended 31 December 2017. The decrease for the year ended 31 December 2018 was mainly due to the combined effect of (i) decrease in average headcount of office in Hong Kong, (ii) decrease in number of senior management partially offset by (iii) increase in avenge headcount in the Philippine office and (iv) salaries increment as compared with that of the same period in 2017.

Other Expenses

Other expenses primarily comprised of depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expense and other regular office expenses such as utilities. Other expenses decreased by approximately HK$2.1 million or 12.7%, to approximately HK$14.5 million for the year ended 31 December 2018 from approximately HK$16.6 million for the year ended 31 December 2017. The decrease for the year ended 31 December 2018 was mainly due to the decrease in advertising and marketing expenses by using combined tools for marketing more efficiently as compared with the same period in 2017.

Income Tax Expense

The Group recorded income tax expenses of approximately HK$2.3 million for the year ended 31 December 2018. The increase in income tax expenses was mainly due to the increase in generation of assessable profits during the year compared with the same period in 2017.

Profit (Loss) for the Year

The Group recorded a profit of approximately HK$7.9 million for the year ended 31 December 2018 as compared to a loss of approximately HK$0.7 million for the corresponding period in 2017. Of the profit for the year ended 31 December 2018, approximately HK$14.5 million pre-tax profit was generated by the Group's core backup business, which was partially offset by the segment loss of approximately HK$5.5 million incurred from KINTIPS.

Financial Position, Liquidity and Financial Resources

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

The Group is in a sound financial resource level. As at 31 December 2018, current assets of approximately HK$93.2 million (31 December 2017: approximately HK$89.6 million). The Group remained at a net cash position as at 31 December 2017 and 2018. Based on the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Capital Structure

The capital structure of the Company comprises of ordinary shares only. As at 31 December 2018, the Company's issued share capital was HK$20.0 million with 2,000,000,000 issued shares of HK$0.01 each.

Charges on Assets of the Group

As at 31 December 2018, there was no charge on assets of the Group (31 December 2017: nil).

Financial Management Policies

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

The Group's cash is primarily deposited at banks in Hong Kong and denominated mostly in Hong Kong dollar. As at 31 December 2018, no related hedges were made by the Group (31 December 2017: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in Hong Kong dollar, the impact of foreign exchange exposure to the Group during the year ended 31 December 2018 was minimal and there was no significant adverse effect on normal operations.

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

Capital Commitments and Contingent Liabilities

As at 31 December 2018, the Group did not have any significant capital commitment (31 December 2017: nil) and contingent liability (31 December 2017: nil).

Material Acquisitions and Disposals

There was no material acquisition or disposal during the year ended 31 December 2018 and 2017.

Management Discussion and Analysis

Employees and Remuneration Policy

As at 31 December 2018, the Group had a workforce of 82 employees (2017: 79). The increase in number of employees was mainly due to human resources re-allocation to the representative office in the Philippines. Total directors and staff costs for the year ended 31 December 2018 was approximately HK$40.9 million before the development cost capitalised, representing a decrease of approximately HK$3.0 million as compared to that of the corresponding period in 2017. The decrease in staff cost was mainly due to the combined effect of (i) decrease in average headcount of office in Hong Kong; (ii) decrease in number of senior management partially offset by (iii) increase in average headcount in the Philippine office and (iv) salaries increment. Details of staff costs and related expenses and emoluments of the Directors and five highest paid individuals are set out in note 7 and 11 to the consolidated financial statements respectively.

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

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

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

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

Directors and Senior Management

Executive Directors

Mr. Chong King Fan (莊景帆), aged 71, was appointed as a Director on 10 April 2015 and designated as the chairman of our Board and an executive Director on 9 June 2015. Mr. Chong King Fan is responsible for overseeing the business development and in-house operations of our Group.

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

Mr. Chong King Fan now acts as an honorary chairman as well as a vice chairman of various merchants associations in Hong Kong. He acted as a chairman of Hong Kong Petroleum Chemicals & Pharmaceutical Materials Merchants Association Limited from March 1987 to March 1995 and thereafter he has been acting as an honorary chairman. Mr. Chong King Fan acted as a vice chairman of Hong Kong Dyestuffs Merchants' Association Limited from 1995 to 2011 and he has been acting as a chairman since 2012. He acted as a vice chairman of the Industrial Chemical Merchants Association Limited from 2013 to February 2016 and he has been a director since 2017. He has been an honorary director of Kowloon West Chaoren Association Limited since 2009 and acted as a vice chairman from 2013 to January 2015. He has been a vice chairman and an honorary consultant of Hong Kong Chongqing Friendship Federation Limited from 2013 to 2016 and he has been an executive committee member since 2017. Mr. Chong King Fan has also established his community network. He served as a director of the General Association of Kowloon District Affairs Consultants Limited since February 2010 and became an honorary chairman since May 2015. He has held various positions in Federation of Sham Shui Po District Affairs since June 1998, including acting as an executive committee member and a chairman.

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

Mr. Chong Siu Pui (莊小霈) ("Mr. Schubert Chong"), aged 49, was appointed as a Director on 10 April 2015 and re-designated as the chief executive officer of our Group and an executive Director on 9 June 2015. He is one of the founders of our Group. Mr. Schubert Chong has also been the chief executive officer and financial director of Ahsay HK since October 2005. Mr. Schubert Chong is responsible for overseeing the business development, in-house operations, overall strategic planning and the finance and accounting activities of our Group.

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

Mr. Schubert Chong worked in Price Waterhouse Hong Kong (now known as PricewaterhouseCoopers Hong Kong) as a staff accountant mainly responsible for reviewing clients' accounts from November 1991 to February 1992. Mr. Schubert Chong worked as the general manager in Commonwill Industrial (Matsutake) Limited, the principal business of which are trading and provision of restaurant operating consultation services from July 1994 to September 2005, during which he was mainly responsible for setting up the business operation logistics, distribution channel for the import and export of vegetables, managing the financial performance of the company. Mr. Schubert Chong joined our Group in August 1999 as a director of Ahsay HK while his involvement was not active. He became the chief executive officer and the finance director of Ahsay HK since October 2005. He has been responsible for overseeing the overall operation and finance performance of the Group. From January 2002 to October 2005, he was an independent non-executive director and the chairman of the audit committee of Timeless Software Limited (Stock Code: 8028), a company listed on GEM. Mr. Schubert Chong has been serving as a committee member of The Chinese General Chamber of Commerce (香港中華總商會選任會董) and YRD Committee (長三角委員會委員) since October 2018 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. Chong Siu Ning (莊小靈) ("Mr. Scherring Chong"), aged 45, was appointed as a Director on 10 April 2015 and designated as the vice-chairman of our Board and an executive Director on 9 June 2015. He is one of the founders of our Group. He has also been the director and information technology & marketing director of Ahsay HK since August 1999 and July 2000 respectively. Mr. Scherring Chong is responsible for overseeing the business development, strategic planning and information technology development of our Group.

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

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

Ms. Chong Siu Fan (莊小雰) ("Ms. Monita Chong"), aged 46, previously appointed as a non-executive Director on 9 June 2015, has been re-designated as executive Director of the Company and has been appointed as the marketing director of KINTIPS on 28 July 2016.

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.

Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie (黃楚基) ("Mr. Bonnie Wong"), aged 50, is an independent non-executive Director appointed on 4 September 2015. Mr. Bonnie Wong is responsible for providing independent advice to the Board of our Group. Mr. Bonnie Wong obtained a Bachelor of Science in Biomedical Engineering from Boston University, the United States, and a Master of Engineering (Electrical) from Cornell University, the United States, in May 1990 and August 1991 respectively.

Mr. Bonnie Wong has over 10 years of experience in business strategies and corporate management. Mr. Bonnie Wong has been serving as the managing director of Wah Fu Petroleum Co Ltd, the business of which includes the wholesale distribution of petroleum and petroleum products, since May 2009 where he is mainly responsible for overseeing the financial performance and implementing business strategies of the company. Since December 2014, Mr. Bonnie 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.

Mr. Bonnie Wong has been appointed as independent non-executive director of Golden Wheel Tiandi Holdings Company Limited (stock code: 1232) since August 2017.

Ms. Wong Pui Man (黃佩文) ("Ms. Wong"), aged 46, is an independent non-executive Director appointed on 4 September 2015. Ms. Wong is responsible for providing independent advice to the Board of our Group. Ms. Wong obtained the Bachelor of Business Administration in Information and Systems Management from The Hong Kong University of Science and Technology in November 1996. Ms. Wong received her Bachelor of Chinese Medicine from Hong Kong Baptist University in November 2009. Ms. Wong holds the Practising Certificate for Registered Chinese Medicine Practitioner and is a registered Chinese medicine practitioner. Ms. Wong currently runs her own Chinese medicine clinic starting from July 2017.

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) ("Mr. Wong"), aged 68, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board of our Group.

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

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

Senior Management

Mr. Chong Kam Fung (莊金峰), aged 39, is the company secretary and finance director of our Company, and the finance director of Ahsay HK. Mr. Chong Kam Fung joined Ahsay HK as the finance director in March 2015. Mr. Chong Kam Fung is primarily responsible for the overall corporate financial matters, capital management, investor relations, corporate governance, company secretarial and the strategic planning of our Group.

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

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

Mr. Chong Kam Fung has been appointed as independent non-executive director of Basetrophy Group Holdings Limited (stock code: 8460) and Ling Yui Holdings Limited (stock code: 784), since June 2017 and December 2017 respectively and resigned as non-executive director of Hao Bai International (Cayman) Limited (stock code: 8431) since May 2018.

Mr. Lo Ho Chuen Kenneth (盧浩存) ("Mr. Lo"), aged 50, has been promoted to director of sales and customer success of Ahsay HK since August 2018. Mr. Lo joined Ahsay HK in January 2017 and was the customer service director. He is responsible for overseeing the operation and service quality of the customer service team and global sales operation of the Group.

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

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

Mr. Ip Wai Chung (葉衞忠) ("Mr. Ip"), aged 44, is the information technology director of Ahsay HK. Mr. Ip joined Ahsay HK as internet application programmer in September 2000. He was subsequently promoted to partner services manager, software development manager, senior software development manager and associate information technology director in July 2006, January 2008, January 2010 and January 2013 respectively. Mr. Ip was further promoted to information technology director in January 2017 where he is responsible to oversee the software development, business support & productivity, and quality assurance of products.

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

Report of the Directors

The Directors of the Company are pleased to present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

Principal Activities

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 31 to the financial statements.

Results

The results of the Group for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the financial statements on pages 57 to 113.

Dividend Policy

The Company has adopted a general dividend policy that aims to provide shareholders of the Company out of the Group's profit attributable to shareholders in any financial year. In proposing any dividend payout, the Board shall take into account, inter alia, the following factors:

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;

- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The payment of dividend is also subject to any restrictions under the applicable laws, the Company's Memorandum and Articles of Association.

The Board does not recommend the payment of any dividend for the year ended 31 December 2018.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 23 to the financial statements.

Pre-emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the year ended 31 December 2018, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 32 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

The Company was incorporated in the Cayman Islands on 10 April 2015. Pursuant to the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company had no reserve available for distribution to equity of the Company as at 31 December 2018.

Major Customers and Suppliers

During the year ended 31 December 2018, sales attributable to the Group's largest customer and five largest customers accounted for approximately 3.6% and 9.0% of the Group's total revenue for the year, respectively.

The Group did not have any supplier of goods or services which was specific to the business of the Group and which was required by the Group on a regular basis to enable the Group to continue to supply or service its customer during the year ended 31 December 2018.

To the best knowledge of the Directors, none of the Directors, their close associates nor any shareholders who owned more than 5% of the Company's issued share capital had any beneficial interest in any of the Group's five largest customers during the year.

Directors

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

Executive Directors

Mr. Chong King Fan *(Chairman)*
Mr. Schubert Chong *(Chief Executive Officer)*
Mr. Scherring Chong *(Vice Chairman)*
Ms. Monita Chong

Independent Non-Executive Directors

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

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

Independent Non-Executive Directors' Confirmations of Independence

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

Directors' Service Contract and Letter of Appointment

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

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

Directors' Interests in Transactions, Arrangements or Contracts

Save as disclosed in note 30 to the consolidated financial statements, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

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

Permitted Indemnity Provisions

At no time during the year ended 31 December 2018 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in section 2(1) of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Share Option Scheme

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join

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

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

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

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

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

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

(d) Maximum number of shares

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

(e) Maximum entitlement of each Participant

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

(f) Time of acceptance and exercise of option

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

(g) Rights are personal to grantee

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

(h) Duration of the Share Option Scheme

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

Since the adoption of the Share Option Scheme up to the date of this report, no share options have been granted pursuant to the Share Option Scheme and there was no share option outstanding as at 31 December 2018.

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2018 are disclosed in note 30 to the financial statements. Transaction constituted continuing connected transaction under the GEM Listing Rules is identified below:

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

On 9 November 2017, Ahsay HK, as tenant, entered into the Office Premises Tenancy Agreement with Assets Sino Investments (HK) Limited ("Assets Sino HK"), as landlord, in respect of the properties located at 28/F and car parking space number P5 on 2/F of Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong (the "Office Premises") for the period from 1 January 2018 to 31 December 2018 at an annual rent of HK$3,000,000, exclusive of government rent, rates, management fee, utilities and other service charges.

With the expiry of the term of the Office Premises Tenancy Agreement on 31 December 2018 and that the Office Premises have been used as head office, a new renewal Tenancy agreement between Ahsay HK and Assets Sino HK was entered into on 9 November 2018 (the "Renewal Tenancy Agreement") for a term of 3 years commencing from 1 January 2019 to 31 December 2021 at an annual rent of HK$3,120,000, exclusive of government rent, rates, management fee, utilities and other service charges.

Assets Sino HK is a company under common control of the Controlling Shareholders and is therefore a connected person of the Company under the GEM Listing Rules. The transaction under the Office Premises Tenancy Agreement and Renewal Tenancy Agreement constituted the continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules.

An independent valuer has conducted valuations of the Office Premises. The result of such valuations confirmed that the rental charge of the Office Premises Tenancy Agreement and Renewal Tenancy Agreement are in line with the market rent and reflect the prevailing market rate as at 27 October 2017 and 1 October 2018 respectively, the valuation date.

The annual cap for rental in respect of the Office Premises Tenancy Agreement and Renewal Tenancy Agreement payable by the Group for each year ending 31 December 2018, 2019, 2020 and 2021 is HK$3,000,000, HK$3,120,000, HK$3,120,000 and HK$3,120,000, respectively.

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

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

The auditor has confirmed to the Board in writing that for the year ended 31 December 2018, the continuing connected transactions, which were entered into,:

1. have received the approval of the Board;

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

3. have not exceeded the annual cap amount as set by the Company for the financial year ended 31 December 2018.

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

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive in the shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 December 2018, the Company had 2,000,000,000 Shares in issue.

2. As at 31 December 2018, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited (''Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 31 December 2018, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2018, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 December 2018, the Company had 2,000,000,000 Shares in issue.

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

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

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

Save as disclosed above, as at 31 December 2018, the Company has not been notified by any persons (other than the Directors or Chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

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

Corporate Governance Code

The Board is satisfied that the Company has complied with all the code provisions set out in Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 15 to the GEM Listing Rules, that the Company adopted as its own code of corporate governance, from the date of Listing to 31 December 2018.

Directors' and Controlling Shareholders' Interest in Competing Business

For the year ended 31 December 2018, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

Sufficiency of Public Float

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

Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any non-compliance with relevant laws and regulations during the year ended 31 December 2018.

Key Relationships with Employees

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

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

Key Relationships with Customers

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

Key Relationships with Suppliers

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

Auditors

The financial statements for the year ended 31 December 2018 were audited by Deloitte Touche Tohmatsu who will retire as the auditors of the Company and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chong King Fan
Chairman

Hong Kong
8 March 2019

Corporate Governance Report

Corporate Governance Practices

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

- the Group is well-committed to maintain good corporate governance practices and procedures; and
- the Group recognises the need to adopt practices that improve itself continuously for a quality management.

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

The Group has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to GEM Listing Rules as its own code of corporate governance. The Directors consider that the Group has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2018.

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2018.

The Group believes through the operation of an effective Board, sound internal controls, and accountability to Shareholders, the Group is able to maximise the value of all Shareholders. The following summarises the corporate governance practices adopted and observed by the Group during the year ended 31 December 2018.

Board of Directors

Board Composition

As at 31 December 2018 and as at the date on which this annual report is approved, the Board comprises four executive Directors and three INEDs as named below. An updated list of the Directors identifying their roles and functions is posted on GEM's website and the Company's website from time to time.

Executive Directors

Mr. Chong King Fan *(Chairman)*
Mr. Schubert Chong *(Chief Executive Officer)*
Mr. Scherring Chong *(Vice Chairman)*
Ms. Chong Siu Fan

Independent Non-Executive Directors

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

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

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

Term of Appointment and Re-election

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

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

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

Board Meetings

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

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

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

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

During the year ended 31 December 2018, four Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

Name of Director	Attendance
Executive Directors	
Mr. Chong King Fan	4/4
Mr. Schubert Chong	4/4
Mr. Scherring Chong	4/4
Ms. Chong Siu Fan	4/4
Independent Non-Executive Directors	
Mr. Wong Cho Kei Bonnie	3/4
Ms. Wong Pui Man	4/4
Mr. Wong Yau Sing	4/4

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

Directors are provided with monthly updates on internal unaudited financial information so as to give them a balanced and understandable assessment of the Group's performance, position and prospects. All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 31 December 2018.

Directors' Continuous Training and Professional Development

In compliance with the code provision A.6.5 of the Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2018, the Directors were provided with timely updates on the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

Delegation by the Board

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

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

Directors' Work Commitments Outside the Group

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

Directors' Liability Insurance

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

Board Committees

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

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

Remuneration Committee

The Remuneration Committee comprises three INEDs, namely Ms. Wong Pui Man (Chairman of the Remuneration Committee), Mr. Wong Cho Kei Bonnie and Mr. Wong Yau Sing.

The Remuneration Committee considers and recommends to our Board the remuneration and other benefits paid by us to 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.

During the year ended 31 December 2018, one meeting of the Remuneration Committee was held to review the structure and policy of remuneration of the Group and approve the remuneration package of Directors and senior management. The emoluments of the Directors are reviewed by the Remuneration Committee according to the Directors' respective responsibilities, individual performance and prevailing market conditions. The individual attendance record of each Remuneration Committee member is as follows:

Name of Director	Attendance
Ms. Wong Pui Man *(Chairman)*	1/1
Mr. Wong Cho Kei Bonnie	0/1
Mr. Wong Yau Sing	1/1

Nomination Committee

The Nomination Committee comprises three INEDs, namely Mr. Wong Cho Kei Bonnie (Chairman of the Nomination Committee), Ms. Wong Pui Man and Mr. Wong Yau Sing.

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

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

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

During the year ended 31 December 2018, one meeting of the Nomination Committee was held to review the structure, size, composition and diversification (including the skills, knowledge and experience) of the Board, and review the policy of Directors' nomination related matters, assess the independence of INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming annual general meeting. The individual attendance record of each Nomination Committee member is as follows:

Name of Director	Attendance
Mr. Wong Cho Kei Bonnie *(Chairman)*	0/1
Ms. Wong Pui Man	1/1
Mr. Wong Yau Sing	1/1

Audit Committee

The Audit Committee comprises three INEDs, namely Mr. Wong Yau Sing (Chairman of the Audit Committee), Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man.

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

During the year ended 31 December 2018, four meetings of the Audit Committee were held to review the quarterly, interim and annual consolidated financial statements, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditors for the audited results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in the Company's quarterly, interim and annual report comply with the applicable accounting standards and the GEM Listing Rules. The individual attendance record of each Audit Committee member is as follows:

Name of Director	Attendance
Mr. Wong Yau Sing *(Chairman)*	4/4
Mr. Wong Cho Kei Bonnie	3/4
Ms. Wong Pui Man	4/4

The Group's unaudited quarterly and interim results and audited annual results published for the year ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Risk Management Committee

The Risk Management Committee comprises one executive Director, namely Mr. Schubert Chong (Chairman of the Risk Management Committee) and two INEDs, namely Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man.

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

During the year ended 31 December 2018, two meetings of the Risk Management Committee were held to review the Group's risk management policies and standards and supervise and monitor our Company's exposure to International Sanctions risks. The individual attendance record of each Risk Management Committee member is as follows:

Name of Director	Attendance
Mr. Schubert Chong *(Chairman)*	2/2
Mr. Wong Cho Kei Bonnie	1/2
Ms. Wong Pui Man	2/2

Board Diversity Policy

The Company has adopted a board diversity policy to achieve board diversity through the consideration of a number of factors, including but not limited to age, gender, skills, professional experience, knowledge and length of service. All board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee monitors the implementation of the board diversity policy to ensure the effectiveness of the Board diversity policy.

As at the date of this annual report, the Board comprises seven Directors. Three of them are independent non-executive Directors, thereby promoting critical review and control of the management process. The Board is also characterised by significant diversity, whether considered in terms of gender, age, educational background, professional experience, skills, knowledge and length of service.

Chairman and the Chief Executive Officer

During the year ended 31 December 2018, Mr. Chong King Fan has been acting as the chairman of the Board who is responsible for enabling effective operation of the Board and Mr. Schubert Chong has been acting as the chief executive officer of the Group who is responsible for the day-to-day management of the Group's business. Their roles were clearly defined and segregated to ensure balanced power and responsibilities. Mr. Chong King Fan is the father of Mr. Schubert Chong.

Company Secretary

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

During the year ended 31 December 2018, the Company's company secretary has undertaken not less than 15 hours of relevant professional training as required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

Auditors' and Auditors' Remuneration

Directors' and Auditors' Responsibilities for the Financial Statements

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

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

Auditors' Remuneration

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

For the year ended 31 December 2018, the fees paid/payable to the auditors and their affiliate companies in respect of the audit and non-audit services are as follows:

Services	HK$'000
Audit service (note 1)	800
Non-audit services (note 2)	220

Notes:

1. Including the audit of the Group's financial statements for the year ended 31 December 2018.

2. For the year ended 31 December 2018, the Group has engaged the auditors and their affiliate companies to provide non-audit services which include the review of the Group's interim financial statements and the review of the Group's internal control system.

Changes in Constitutional Documents

During the year ended 31 December 2018, there was no significant change in the constitutional documents of the Company.

Risk Management and Internal Control

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

Process Used to Identify, Evaluate and Manage Significant Risks

The Board, through the Risk Management Committee and the Audit Committee, has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2018, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate.

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

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

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

Handling and Dissemination of Inside Information

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

- The Group has strictly prohibited unauthorised use of confidential or inside information;

- The Group has stipulated policy on handling of rumours, unintentional selective disclosure and waiver to the disclosure of inside information, external communication guidelines and compliance and reporting procedures.

- The Group authorised only the executive Directors and company secretary for responding to external enquiries about Group's affairs; and

- Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the website of GEM and the Company, according to the requirements of the GEM Listing Rules.

Shareholders' Rights and Investor Relations

Investor Relations and Communications with Shareholders

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

The Board strives to encourage and maintain constant dialogue with its Shareholders through various means. The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The website of the Company has provided an effective communication platform to the public and the Shareholders. During the annual general meeting held on 27 April 2018, all Directors attended the meeting and met the Shareholders.

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

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

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

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders has made an annual declaration to the Company that during the year ended 31 December 2018, it has complied with the terms of non-compete undertakings ("Non-Compete Undertakings") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Compete Undertakings are set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

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

Environmental, Social and Governance Report

About this Report

This report, Environmental, Social and Governance "ESG" report of Ahsay Backup Software Development Company Limited (the "Company") and its subsidiaries (collectively the "Group"), aims to disclose the overall policies, commitments and strategies on the sustainable development of the Group during the reporting period which covers the period from 1 January 2018 to 31 December 2018. We have prepared this report to disclose our performance in ESG in accordance with the disclosure requirements of "ESG Reporting Guide" set out in Appendix 20 of the GEM Listing Rules published by the Stock Exchange. The Group believes that sound ESG performance is critically important to the sustainable development of its business and community and the Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance.

Stakeholder Engagement

The Group believes that regular communication with stakeholders can help to drive its growth. The Group is committed to maintaining the sustainable development of its businesses and providing support to environmental protection and the community in which it operates. The Group maintains a close tie with its stakeholders, including government, investors, management, customers, employees, business partner, community and the public, and strives to balance their opinions and interests through constructive communications in order to determine the directions of its sustainable development. The Board of Directors of the Company is responsible for assessing and determining its environmental, social and governance risks, and ensuring that the relevant risk management and internal control systems are operating properly and effectively.

Stakeholder Group Engaged		**Engagement Channels**
Internal stakeholders	Management	— Regular meetings
	Employees	— Regular meetings
		— Notice boards
		— Annual appraisal meetings
		— Intranet and emails
External stakeholders	Investors and shareholders	— Annual general meetings
		— Annual, interim and quarterly report
		— Press releases and announcements
	Customers and business partners	— Company website and social media
		— Email and customer service hotline
		— Visits and meetings
	Public and Communities	— Company website

Materiality Assessment

Views and opinions collected during the stakeholder engagement were assessed and the key material ESG issues raised by the stakeholders mainly focused on social aspects. On the other hand, environmental aspect was considered less relevant to the Group. Based on the stakeholders' feedback, the material issues in social aspects were identified as follows:

— Employment

— Occupational Health and Safety

— Training and professional development

— Labour Standards

— Consumer Data Protection

— Anti-Corruption

The Group welcomes stakeholders' feedback on the environmental, social and governance approach and performance by giving suggestions or share views via email at mkt-kb@ahsay.com.

Environmental Policies and Performance

The Group believes that Sound ESG performance is of critical importance to sustainability of its business and community. The Group is committed to enhancing environmental protection to minimize the impact of its activities on the environment, and compliance with applicable environmental laws. It is the Group's policy to promote clean operation and make the most efficient use of resources in its operations, and minimize wastes and emission. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. Green office practices are encouraged such as turning off of idle lights and electronic appliances to minimise energy consumption and double-sided printing and copying.

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

Emissions

The Group is principally engaged in the provision of online backup software solutions to clients via internet. The operations of the Group do not have significant impact to the environment and do not generate hazardous waste and air emission including NO_x, SO_x and other pollutants. Greenhouse gas ("GHG") emissions are indirectly generated from electricity consumed at the Group's workplace with minimal emissions. The GHG emission during the reporting period is as follows:

	2018
Indirect emissions (Scope 2) CO_2 emissions from electricity generation (kgs)	
— Principal office in Hong Kong (note)	**118,883**
Indirect emissions (Scope 2) per floor area (kgs/m^2)	**123.3**

Note:

The Group estimated its GHG emissions for the reporting period through calculation with relevant methodology, and with data available on electricity consumption and emission factor from invoices and references to third parties documents (including electricity & gas consumption data, and carbon intensity factor that are available on bills and sustainability reports from electricity & gas provider respectively). The emissions from representative office in the Philippines is not significant.

The Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees. The Group has implemented a number of measures such as reducing carbon emissions, increasing energy efficiency and conserving water resources in order to deliver our commitment to environmental protection. The Group has launched a number of waste management programs, including recycling of glass, paper and metal. Paper waste is our major source of non-hazardous waste in the office. We have promoted a paperless work environment to reduce paper waste. The Group did not find any records of significant waste disposal disposed of at landfills during the year.

During the year ended 31 December 2018, the Group was not aware of any material non-compliance with relevant laws and regulations, including but not limited to the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong); Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Use of Resources

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

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

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

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

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

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

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

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

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

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

With the Group operating its core backup business and information sharing platform via internet, the use of resources mainly represents the indirect energy consumption from electricity and water and paper consumption.

The summary of the use of resources are as follows:

(1) Energy consumption

Indicators	2018
Energy consumption (kWh)	
— Principal office in Hong Kong	**233,104**
— Representative office in the Philippines	**5,019**
Total	**238,123**
Energy consumption per floor area (kWh/m^2)	
— Principal office in Hong Kong	**241.8**
— Representative office in the Philippines	**33.9**

(2) Water consumption

Indicators	2018
Water consumption (m^3)	
— Principal office in Hong Kong	**146**
— Representative office in the Philippines	**46**
Total	**192**
Water consumption per floor area (m^3/m^2)	
— Principal office in Hong Kong	**0.2**
— Representative office in the Philippines	**0.3**

(3) Paper consumption

Indicators	2018
Total paper consumption (Reams)	**194**
Total paper consumption per employee (Reams/employee)	**2.8**

The Environment and Natural Resources

Since our core operations are confined to the office environment, the impact of the Group on the environment and natural resources is not significant. It is mainly attributed to the use of electricity, water, papers in office. During the reporting period, we have set a number of measures to reduce the use of resources (refers to above sections "Emissions" and "Use of Resources" for details). In order to have further reductions on the environmental impact and use of natural resources, the Group will continue to make assessment and minimise the environment impact.

Employment

The Group has established and implemented the "Employee Handbook", which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits as well as welfare for our employees in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labor Code of the Philippines and other applicable laws. The Group also aims to promote diversity in the workplace, including in terms of age, gender and nationality, as well as a culture of equal opportunity. Management regularly reviews the Group's remuneration policy in relation to relevant market standards. The Group strictly complies with the above said relevant standards, rules and regulations. For the year ended 31 December 2018, the Group was not aware of any material non-compliance with relevant standards, rules and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

Health and Safety

Health and safety are the most pressing concern across our business operations. Human capital is the most valuable asset of the Group. Developing and retaining talent is vital to our success. The Group is committed to providing its employees with a safe, pleasant and healthy working environment. The principal office and representative office of the Group are located at 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong with a gross floor area of approximately 10,377 square feet and Unit 29B, 29th Floor, Chatham House, No. 116 Corner Valero & Rufino Street, Salcedo Village, Makati City, Philippines with an gross floor area of approximately 1,593 square feet respectively, which provide employees with a breakout area to relax, gather and hold meetings. To provide employees with a safe working environment, a long lighting system has been installed in the office area. A conspicuously placed illuminated sign bearing the symbols of exit direction to leave the workplace at each doorway during emergency especially in the event of a fire. Fire drills are carried out at regular intervals to demonstrate escape routes and provide sufficient training to employees on fire safety.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures. During the year ended 31 December 2018, the Group was not aware of any material non-compliance with the Group's Occupational Safety and Health Policy.

The Group shows its genuine care for its employees by promoting a work-life balance and providing a comprehensive range of activities to our employees in order to provide a happy and harmony workplace.

Development and Training

The Group strives to promote the long-term development of its employees by providing learning opportunities that broaden their skills and make them valuable assets to the Group. Each department of the Group is responsible for determining its training needs for the employees in its department. Any suggested applicable training courses either arranged internally or by external service providers shall be submitted to the senior management of the Group for approval. Knowledge, skills and capacities of employees are vital to continuous business growth and success of the Group. The Group ensures that all employees can fulfill the relevant requirements of their job duties in terms of education, training, technical and work experience. We also have subsidies for continuing education where all permanent employees are entitled to annual funding for continued learning. We sponsor further studies and associated examinations up to a maximum of HK$5,000 per calendar year.

Labour Standards

Employment of staff by the Group must comply with the Employment Ordinance in Hong Kong and The Labor Code of The Philippines. The Group strictly complied with the relevant rules and regulations for the year ended 31 December 2018. The Group has a zero tolerance policy towards the use of forced labor and child labor in our business operations and regularly reviews the overall employment practices to avoid any potential violations or irregularities. Each employee is required to fill in a resume upon joining the Group. Should the employee falsity their identity or provide false personal particulars, the said employee would be considered to have committed a serious breach of the Group's rules and regulations and the Group will terminate employment according to the employment contract. Moreover, the Group regularly monitors information and data related to employment to prevent non-compliance with rules and regulations especially in relation to preventing child and forced labour.

Supply Chain Management

Although the business nature of the Group, the supply chain has no significant adverse impact on the environment or society, the Group will continuously assess the business operation of the Group and reduce any possible negative impact of our business operations on the environment and society.

Product Responsibilities

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

Not only is the Group on a quest to constantly deliver quality products and services to its clients, it also makes dedicated efforts to deal with complaints about its products and services. As a result, the Group has established procedures to handle complaints by appointing designated staffs to investigate complaint cases and implement corrective measures, with a view to prevent the reoccurrence of similar complaints.

During the year ended 31 December 2018, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations.

For customer data protection and privacy policies, the Group strictly manages and protects the data collected from its business partners, customers, employees and suppliers to ensure their privacy and confidentiality. The Group is committed to maintaining a secure environment to ensure the entirety of information being collected are kept confidential, and company servers and computers are protected with access passwords. The Group complies with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and local relevant law and regulations and is strictly abided by the regulations in the collection, disclosure, usage, retention, and storage of data to ensure data integrity and safety.

Anti-corruption

The Group does not tolerate any form of corruption. Code of conduct on security of information & records (the "Code of Conduct") are clearly defined and included in the "Employee Handbook". Employees should take all reasonable care to safeguard the security of the Group's confidential information, and should not disclose the Company's activities, policies and operations without prior approval. Employees are required to adhere to the Code of Conduct and are prohibited to accept gifts and minor refreshments from any person who has an influence on the employee's business behavior. The Group has also established policies and procedures to deal with money laundering in its operation. During the year ended 31 December 2018, there were no complaints of corruption against the Group or any of its staff.

Community Investment

The Group carries out local community engagement and community activities based on local communities' needs. During the year ended 31 December 2018, the Group provided the Ahsay Backup Scholarship (the "Scholarship") donating a number of scholarships to qualified full time undergraduates of The Chinese University of Hong Kong on an annual basis. The Scholarship aims to reward outstanding students and offer students summer internship opportunities to apply their academic knowledge in their career interests.

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF AHSAY BACKUP SOFTWARE DEVELOPMENT COMPANY LIMITED
亞勢備份軟件開發有限公司
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Ahsay Backup Software Development Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 113, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified the revenue recognition as a key audit matter due to the complexity of the accounting policy for contracts with multiple performance obligations and the judgements made by the management associated with the determination of fair value of each of the performance obligations in an arrangement. The accounting policy for contracts with multiple performance obligations are contained in note 3 to the consolidated financial statements. The sale of a software license right is packaged with free upgrade and maintenance service, which represents a contract with multiple performance obligations. Fair value of the upgrade and maintenance service is determined based on the current market price when sold separately. The Group applied residual value method in estimating the stand-alone selling price of the software license right with reference to the total contract consideration less the observable stand-alone selling prices of the upgrade and maintenance service.	Our procedures in relation to the revenue recognition included: • Evaluating the key controls related to revenue recognition on contracts with multiple performance obligations and the general controls of information technology; • Challenging the judgments and estimates made by the management in applying the residual value method and comparing the observable stand-alone selling prices with current market price; • Re-performing the management's calculations of revenue of each performance obligation using the residual value method; • Engaging our internal IT specialists to assess the online sales system and performing specific procedure on the automated controls within the online sales system with regard to the accuracy and classification of recording sale transactions; • Engaging our internal IT specialists to perform Computer Assisted Audit Techniques exercise to recalculate the sales amount of each sale transaction using the data extracted from the online sales system and agreeing to the total sales amount recorded in the accounting records; and • Testing the report generated from the online sales system against the available supporting documents.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	5	**63,014**	57,610
Cost of inventories sold		**(18)**	—
Other income	6	**1,199**	547
Other (losses) gains		**(48)**	18
Staff costs and related expenses	7	**(39,500)**	(42,140)
Other expenses	8	**(14,489)**	(16,551)
Finance costs	9	**—**	(73)
Profit (loss) before tax		**10,158**	(589)
Income tax expense	10	**(2,298)**	(91)
Profit (loss) for the year		**7,860**	(680)
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of a foreign subsidiary		**(14)**	20
Other comprehensive (expense) income for the year		**(14)**	20
Total comprehensive income (expense) for the year		**7,846**	(660)
Earnings (loss) per share			
— Basic (HK cents)	13	**0.39**	(0.03)

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**3,531**	847
Intangible assets	15	**3,091**	1,100
Rental deposits paid	17	**520**	504
Deferred tax assets	22	**—**	84
		7,142	2,535
CURRENT ASSETS			
Inventories	16	**14**	15
Trade and other receivables	17	**3,936**	3,737
Bank balances and cash	18	**89,296**	85,888
		93,246	89,640
CURRENT LIABILITIES			
Other payables and accruals	19	**6,586**	5,440
Deposits and fees received in advance	20	**—**	16,446
Contract liabilities	21	**14,830**	—
Tax payable		**767**	193
		22,183	22,079
NET CURRENT ASSETS		**71,063**	67,561
TOTAL ASSETS LESS CURRENT LIABILITIES		**78,205**	70,096
NON-CURRENT LIABILITIES			
Deposits and fees received in advance	20	**—**	603
Contract liabilities	21	**627**	—
Provision for long service payments		**175**	187
Deferred tax liabilities	22	**251**	—
		1,053	790
NET ASSETS		**77,152**	69,306
CAPITAL AND RESERVES			
Share capital	23	**20,000**	20,000
Reserves		**57,152**	49,306
		77,152	69,306

The consolidated financial statements on pages 57 to 113 were approved and authorised for issue by the Board of Directors on 8 March 2019 and are signed on its behalf by:

CHONG KING FAN	**CHONG SIU PUI**
CHAIRMAN	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note i)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	20,000	72,435	4,097	(35)	(26,531)	69,966
Loss for the year	—	—	—	—	(680)	(680)
Other comprehensive income for the year						
Exchange differences arising on translation of a foreign subsidiary	—	—	—	20	—	20
Total comprehensive income (expense) for the year	—	—	—	20	(680)	(660)
At 31 December 2017	20,000	72,435	4,097	(15)	(27,211)	69,306
Profit for the year	—	—	—	—	7,860	7,860
Other comprehensive expense for the year						
Exchange differences arising on translation of a foreign subsidiary	—	—	—	(14)	—	(14)
Total comprehensive (expense) income for the year	—	—	—	(14)	7,860	7,846
At 31 December 2018	20,000	72,435	4,097	(29)	(19,351)	77,152

Note:

i. Capital reserve comprises:

(a) a debit amount of HK$5,000 represents the difference between the fair value of the consideration paid of HK$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, Mr. Chong Siu Ning (the "Controlling Shareholders") and the carrying amount of HK$200,000 of the net assets attributable to the 100% equity interest in CloudBacko Corporation ("CloudBacko BVI") and Ahsay Service Centre Limited ("ASCL"), upon the transfer of 100% equity interest of CloudBacko BVI and ASCL from the Controlling Shareholders in April 2015;

(b) a credit amount of HK$1,000,000 represents the difference between the par value of the share issued by Alpha Heritage Holdings Limited ("Alpha Heritage"), a wholly owned subsidiary of the Company, and the share capital of Ahsay Systems Corporation Limited ("Ahsay HK"), upon the transfer of 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;

(c) a credit amount of HK$2,000,000 represents the deemed capital contribution from the Controlling Shareholders with regard to waiver of amounts due to shareholders in March 2015; and

(d) a credit amount of HK$1,102,000 represents the deemed capital contribution from the Controlling Shareholders upon disposal the entire equity interest in Million Victory Investment Management Limited, a subsidiary of the Group, to a related company controlled by the Controlling Shareholders.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit (loss) for the year	**7,860**	(680)
Adjustments for:		
Amortisation of intangible assets	**264**	263
Bank interest income	**(1,133)**	(496)
Depreciation of property, plant and equipment	**478**	394
Impairment loss recognised on intangible assets	**—**	1,056
Income tax expense	**2,298**	91
Interest expenses	**—**	73
Loss on disposal of property, plant and equipment	**—**	3
Operating cash flows before movements in working capital	**9,767**	704
Decrease in inventories	**1**	1
(Increase) decrease in trade and other receivables and rental deposits paid	**(215)**	869
Increase (decrease) in other payables and accruals	**1,146**	(2,244)
Decrease in contract liabilities	**(1,592)**	—
Decrease in provision for long service payments	**(12)**	(353)
Increase in deposits and fees received in advance	**—**	1,672
Cash generated from operations	**9,095**	649
Income taxes (paid) refund	**(1,389)**	890
NET CASH FROM OPERATING ACTIVITIES	**7,706**	1,539
INVESTING ACTIVITIES		
Additions to development cost capitalised as intangible assets	**(2,255)**	(2,419)
Purchase of property, plant and equipment	**(3,162)**	(229)
Bank interest income	**1,133**	496
NET CASH USED IN INVESTING ACTIVITIES	**(4,284)**	(2,152)
FINANCING ACTIVITIES		
Interest paid	**—**	(73)
Repayment of bank borrowing	**—**	(8,724)
CASH USED IN FINANCING ACTIVITIES	**—**	(8,797)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,422**	(9,410)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**85,888**	95,278
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(14)**	20
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**89,296**	85,888

1. GENERAL

Ahsay Backup Software Development Company Limited (the "Company") is a public listed company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong (the "Stock Exchange"). Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the "BVI"); and its ultimate holding company is Able Future Investments Limited, a private company incorporated in the BVI, which is wholly owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning. The address of the registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1–1111, Cayman Islands. The address of the principal place of business of the Company is 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, 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 consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources:

(a) Software license sales
(b) Software license leasing
(c) Provision of software upgrades and maintenance services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

	Note	Carrying amounts previously reported at 31 December 2017 HK$000	Reclassification HK$000	**Carrying amounts under HKFRS 15 at 1 January 2018* HK$000**
Current liabilities				
Deposits and fees received in advance	(a)	16,446	(16,446)	**—**
Contract liabilities	(a)	—	16,446	**16,446**
Non-current liabilities				
Deposits and fees received in advance	(a)	603	(603)	**—**
Contract liabilities	(a)	—	603	**603**

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

(a) As at 1 January 2018, deposits and fees received in advance from customers of HK$16,446,000 and HK$603,000, respectively, previously included in current and non-current liabilities were reclassified to contract liabilities.

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and its consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 Revenue from Contracts with Customers (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

Impact on the consolidated statement of financial position

	Note	As reported	Adjustments	Amounts without application of HKFRS 15
		HK$000	HK$000	HK$000
Current liabilities				
Deposits and fees received in advance	(a)	—	14,830	14,830
Contract liabilities	(a)	14,830	(14,830)	—
Non-current liabilities				
Deposits and fees received in advance	(a)	—	627	627
Contract liabilities	(a)	627	(627)	—

Impact on the consolidated statement of cash flows

	Note	As reported	Adjustments	Amounts without application of HKFRS 15
		HK$000	HK$000	HK$000
Operating activities				
Decrease in contract liabilities	(a)	(1,592)	1,592	—
Decrease in deposits and fees received in advance	(a)	—	(1,592)	(1,592)

Note:

(a) As at 31 December 2018, deposits and fees received in advance from customers of HK$14,830,000 and HK$627,000, respectively, included in current and non-current liabilities were classified as contract liabilities. As such, the decrease in deposits and fees received in advance from customers of HK$1,592,000 in the consolidated statement of cash flows was classified as decrease in contract liabilities.

Except as described above, the application of HKFRS 15 has had no material impact on the amounts reported set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets and financial liabilities at amortised cost

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are subsequently measured at amortised cost.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 Financial Instruments (continued)

Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. The ECL on these assets are assessed collectively using a provision matrix based on its historical observed default rates which is adjusted for forward-looking estimates.

ECL for other financial assets at amortised cost, including bank balances, other receivables and rental deposits paid, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 January 2018 and further assessment process is set out in note 27.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after 1 January 2021.
5 Effective for annual periods beginning on or after a date to be determined.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

Except for the new HKFRS mentioned below, the directors of the Group anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *Leases*

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

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$9,406,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and amendments to HKFRSs in issue but not yet effective (continued)

HKFRS 16 *Leases* (continued)

In addition, the Group currently considers refundable rental deposits paid of HK$538,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, 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*.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised good or service to the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

The Group recognises revenue from the following major sources:

(a) Software license sales

The Group sells the software license directly to its customer. The sale of the software license includes a one year free software upgrades and maintenance services. As a result, the sale of the software license is a contract with multiple performance obligations.

The revenue from software license sales includes software license sales and software upgrades and maintenance services, which are separately identifiable.

Contracts with multiple performance obligations (including allocation of transaction price)

For software license sales, the Group considers the grant of license to be a right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted. The Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. The stand-alone selling price of the software license right is not directly observable and hence, the Group estimates it using residual value method. Under this method, the Group estimates the stand-alone selling price of the software license right by reference to the total contract consideration less the observable stand-alone selling price of the upgrade and maintenance service such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised good or service to the customer.

Payment of the transaction price is due immediately when the customer purchases the software license.

See accounting policy for revenue on provision of software upgrades and maintenance services below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

(b) Software license leasing

The Group earns revenues by leasing the software products to its customers and the nature of the Group's performance obligation in granting a license is considered to be a right to access the Group's intellectual property. The Group accounts the grant of license as a performance obligation satisfied over time.

The normal credit term is 30 days upon delivery of the license.

(c) Provision of software upgrades and maintenance services

Revenue from provision of software upgrades and maintenance services is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

The transaction price allocated to these services is recognised as a contract liability on initial recognition and is released on a straight-line basis over the period of service.

(d) Provision of other services

The Group provides other services, which are mainly support services, to customers. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide the support services to the customer.

Revenue recognition (prior to 1 January 2018)

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group recognise revenue from the following major sources:

Software license sales

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

Provision of software license leasing, software upgrades and maintenance services and other services

Service revenue is recognised when services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (prior to 1 January 2018) (continued)

Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software license right together with software upgrades and maintenance service 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

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.

Leases

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 lessee

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests 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 asset to be recovered.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment including building and leasehold land are stated in the consolidated 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 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.

Intangible assets

Internally-generated intangible assets — research and development expenditures

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

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

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

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

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditures (continued)

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

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).

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. 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 market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings based on its historical observed default rates which is adjusted for forward-looking estimates.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over one year past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the collective basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, and rental deposits paid are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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, rental deposits paid and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade 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 losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liability and equity instruments

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Equity instrument

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the 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.

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

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies which are described in note 3, the directors of the Company 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from these involving estimation (see below), that the directors of the Company 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 consolidated financial statements.

Contracts with multiple performance obligations

Under the Group's arrangement on contracts with multiple performance obligations, the total contract consideration is allocated to each performance obligation based on their relative fair values, as determined based on the current market price of the performance obligation when sold separately. Under the residual value method, the Group estimates the stand-alone selling price of the software license right by reference to the total contract consideration less the observable stand-alone selling price of the upgrade and maintenance service. The Group is required to exercise judgement in revenue recognition particularly in the fair value of the upgrade and maintenance service in the arrangement. Significant changes in management judgement may result in material revenue adjustments.

Development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the time of incurrence of such costs.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key source of estimation uncertainty (continued)

Estimated useful lives of intangible assets

The Group's management determines the estimated useful lives and related amortisation charges and impairment for its intangible assets. The estimate useful lives are based on the historical experience of the actual useful lives of intangible assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities.

Actual economic lives may differ from estimated useful lives. If the actual useful lives of intangible assets are less than the original estimated useful lives due to the changes in commercial and technological environment, such assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference may result in impairment and will impact the amortisation charges from the remaining periods. During the year ended 31 December 2017, an impairment amounting to HK$1,056,000 was recognised for the intangible assets.

At 31 December 2018, the carrying amounts of the intangible assets are HK$3,091,000 (2017: HK$1,100,000). Details of the useful lives of the intangible assets are disclosed in note 15.

5. REVENUE AND SEGMENT INFORMATION

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

During the current year, segment revenue reported to the CODM was analysed on the basis of the performance obligations recognised by the Group. The segment revenue has been further disaggregated in the segment information and accordingly, the comparative information has been restated.

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

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and result

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of other income and other gains (losses) that are not directly attributable to segments as disclosed in the below table. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

For the year ended 31 December 2018

	Online backup software and related services HK$'000	Information sharing services HK$'000	Total HK$'000
Segment revenue — External			
Software license sales	**9,578**	**—**	**9,578**
Software license leasing	**27,861**	**—**	**27,861**
Software upgrades and maintenance services fee	**23,283**	**—**	**23,283**
Other services fee	**2,088**	**—**	**2,088**
Sale of hardware devices	**25**	**—**	**25**
Information sharing services income	**—**	**179**	**179**
Total revenue	**62,835**	**179**	**63,014**
Timing of revenue recognition			
At a point in time	**9,694**	**179**	**9,873**
Over time	**53,141**	**—**	**53,141**
	62,835	**179**	**63,014**
Segment profit (loss)	**14,520**	**(5,513)**	**9,007**
Unallocated incomes and expenses			
Other income			**1,199**
Other losses			**(48)**
Profit before tax			**10,158**

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and result (continued)

For the year ended 31 December 2017 (Restated)

	Online backup software and related services HK$'000	Information sharing services HK$'000	Total HK$'000
Segment revenue — External			
Software license sales	10,034	—	10,034
Software license leasing	22,388	—	22,388
Software upgrades and maintenance services fee	22,665	—	22,665
Other services fee	2,118	—	2,118
Information sharing services income	—	405	405
Total revenue	57,205	405	57,610
Timing of revenue recognition			
At a point in time	10,161	405	10,566
Over time	47,044	—	47,044
	57,205	405	57,610
Segment profit (loss)	9,198	(10,352)	(1,154)
Unallocated incomes and expenses			
Other income			547
Other gains			18
Loss before tax			(589)

<u>Transaction price allocated to the remaining performance obligation for contracts with customers</u>

Software upgrades and maintenance services are typically provided for a period of one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

For the year ended 31 December 2018

	Online backup software and related services HK$'000	Information sharing services HK$'000	Total HK$'000
Reportable segment assets			
Segment assets	**11,036**	**56**	**11,092**
Reconciliation:			
Unallocated assets			
Bank balances and cash			**89,296**
Consolidated assets			**100,388**
Reportable segment liabilities			
Segment liabilities	**22,678**	**558**	**23,236**
Consolidated liabilities			**23,236**

For the year ended 31 December 2017

	Online backup software and related services HK$'000	Information sharing services HK$'000	Total HK$'000
Reportable segment assets			
Segment assets	6,192	95	6,287
Reconciliation:			
Unallocated assets			
Bank balances and cash			85,888
Consolidated assets			92,175
Reportable segment liabilities			
Segment liabilities	21,975	894	22,869
Consolidated liabilities			22,869

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

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

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

Other segment information

For the year ended 31 December 2018

	Online backup software and related services HK$'000	**Information sharing services HK$'000**	**Total HK$'000**
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	**5,417**	**—**	**5,417**
Depreciation and amortisation	**734**	**8**	**742**

For the year ended 31 December 2017

	Online backup software and related services HK$'000	Information sharing services HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Addition to non-current assets (note)	2,648	—	2,648
Depreciation and amortisation	649	8	657
Impairment loss on intangible assets	1,056	—	1,056
Loss on disposal of property, plant and equipment	3	—	3

Note: Non-current assets excluded rental deposits paid and deferred tax assets.

5. REVENUE AND SEGMENT INFORMATION (continued)

Non-current assets by geographical location

An analysis of the Group's non-current assets is presented based on the geographical location of the assets as detailed below:

	2018 HK$'000	2017 HK$'000
Hong Kong	**3,729**	1,850
Philippines	**2,893**	97
	6,622	1,947

Non-current assets excluded rental deposits paid and deferred tax assets.

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:

	2018 HK$'000	2017 HK$'000
United States	**8,374**	8,993
United Kingdom	**6,448**	6,259
Others (Note)	**48,192**	42,358
	63,014	57,610

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

Information about major customers

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

6. OTHER INCOME

	2018 HK$'000	2017 HK$'000
Bank interest income	**1,133**	496
Sundry income	**66**	51
	1,199	547

7. STAFF COSTS AND RELATED EXPENSES

	2018 HK$'000	2017 HK$'000
Directors' emoluments (note 11)	**8,752**	8,366
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonus	**31,327**	35,330
— Retirement benefits scheme contributions, excluding directors retirement contributions	**1,003**	1,252
— Long-term employee benefit credit	**(144)**	(1,024)
Total directors' and staff costs	**40,938**	43,924
Less: development costs capitalised (note 15)	**(2,255)**	(2,419)
Total directors' and staff costs, net of development cost capitalised	**38,683**	41,505
Staff related expenses	**817**	635
Staff costs and related expenses	**39,500**	42,140
Research and development cost included in staff costs and related expenses	**10,492**	10,147

8. OTHER EXPENSES

	2018 HK$'000	2017 HK$'000
Auditor's remuneration	**800**	800
Advertising and marketing expenses	**2,521**	4,264
Amortisation of intangible assets	**264**	263
Impairment loss recognised on intangible assets	**—**	1,056
Legal and professional fees	**1,360**	1,861
Depreciation of property, plant and equipment	**478**	394
Rent and rates	**3,497**	3,042
Merchant credit card charges	**1,360**	1,445
Electricity and water	**310**	330
Loss on disposal of property, plant and equipment	**—**	3
Others	**3,899**	3,093
	14,489	16,551

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interests on bank borrowing	—	73

10. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	**1,994**	193
Overprovision in prior years:		
Hong Kong Profits Tax	**(31)**	—
	1,963	193
Deferred tax (Note 22)	**335**	(102)
	2,298	91

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 subjected to Hong Kong Profits Tax at a rate of 16.5% for the year ended 31 December 2017.

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

Accordingly, starting from the current year, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the year ended 31 December 2018.

10. INCOME TAX EXPENSE (continued)

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 the People's Republic of China (the "PRC") subsidiary is 25% for the year. No provision for taxation in PRC has been made for both years as the Group has no assessable profits in PRC.

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

	2018 **HK$'000**	2017 HK$'000
Profit (loss) before tax	**10,158**	(589)
Tax at the Hong Kong Profits Tax rate of 16.5%	**1,676**	(97)
Tax effect of expenses not deductible for tax purpose	**59**	30
Tax effect of income not taxable for tax purposes	**(187)**	(81)
Tax effect of tax losses not recognised	**990**	1,739
Utilisation of tax loss previously not recognised	**(42)**	(1,219)
Utilisation of deductible temporary differences previously not recognised	**(2)**	(281)
Overprovision in prior years	**(31)**	—
Income tax at concessionary rate	**(165)**	—
Income tax expense for the year	**2,298**	91

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES REMUNERATION

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

	For the year ended 31 December 2018				
	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance bonus HK$'000 (Note ii)	Retirement benefits scheme contribution HK$'000	Total HK$'000
(A) Executive directors					
Chong King Fan	200	494	79	—	773
Chong Siu Pui (Note i)	200	2,304	457	18	2,979
Chong Siu Ning	200	2,940	468	18	3,626
Chong Siu Fan	200	480	76	18	774
	800	6,218	1,080	54	8,152
(B) Independent non-executive directors					
Wong Cho Kei Bonnie	200	—	—	—	200
Wong Pui Man	200	—	—	—	200
Wong Yau Sing	200	—	—	—	200
	600	—	—	—	600
Total directors' emoluments	1,400	6,218	1,080	54	8,752

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES REMUNERATION (continued)

	For the year ended 31 December 2017				
	Directors' fee HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance bonus HK$'000 (Note ii)	Retirement benefits scheme contribution HK$'000	Total HK$'000
(A) Executive directors					
Chong King Fan	200	480	40	—	720
Chong Siu Pui (Note i)	200	2,480	207	18	2,905
Chong Siu Ning	200	2,940	245	18	3,403
Chong Siu Fan	200	480	40	18	738
	800	6,380	532	54	7,766
(B) Independent non-executive directors					
Wong Cho Kei Bonnie	200	—	—	—	200
Wong Pui Man	200	—	—	—	200
Wong Yau Sing	200	—	—	—	200
	600	—	—	—	600
Total directors' emoluments	1,400	6,380	532	54	8,366

The executive directors' and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries.

Notes:

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

ii) The performance bonus is determined by the Board of Directors of the Company (the "Board") based on the Group's performance for both years.

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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES REMUNERATION (continued)

Employees' remuneration

The five highest paid individuals with the highest emoluments in the Group include two directors for the years ended 31 December 2018 (2017: two), details of their emoluments are set out above. The remuneration for the remaining three individuals for the year ended 31 December 2018 (2017: three individuals) is as follows:

	2018	2017
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**3,520**	3,689
Performance and other bonus	**560**	307
Retirement benefits scheme contribution	**54**	54
	4,134	4,050

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following band:

	No. of employees	
	2018	2017
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1
	3	3

During both years, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. DIVIDENDS

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

13. EARNINGS (LOSS) PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings (loss)		
Earnings (loss) for the purpose of basic earnings (loss) per share		
Profit (loss) for the year attributable to the owners of the Company for the purpose of basic earnings (loss) per share	**7,860**	(680)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	**2,000,000**	2,000,000

No diluted earnings (loss) per share for both years was presented as there were no potential ordinary share in issue for both years.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and building HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST					
At 1 January 2017	—	3,105	4,933	151	8,189
Additions	—	—	229	—	229
Disposals	—	—	(323)	—	(323)
At 31 December 2017	—	3,105	4,839	151	8,095
Additions	2,682	186	294	—	3,162
Write off	—	—	(238)	—	(238)
At 31 December 2018	2,682	3,291	4,895	151	11,019
ACCUMULATED DEPRECIATION					
At 1 January 2017	—	2,906	4,252	16	7,174
Provided for the year	—	48	308	38	394
Disposals	—	—	(320)	—	(320)
At 31 December 2017	—	2,954	4,240	54	7,248
Provided for the year	45	54	341	38	478
Eliminated on write off	—	—	(238)	—	(238)
At 31 December 2018	45	3,008	4,343	92	7,488
CARRYING VALUES					
At 31 December 2018	2,637	283	552	59	3,531
At 31 December 2017	—	151	599	97	847

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 building	Building situated on leasehold land is depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion
Leasehold improvements	5 years
Furniture, fixtures and equipment	3 to 4 years
Motor vehicle	3 to 4 years

The Group's leasehold land and building is held under medium-term lease in the Philippines.

15. INTANGIBLE ASSETS

	Development costs HK$'000
COST	
At 1 January 2017	—
Additions	2,419
At 31 December 2017	2,419
Additions	2,255
At 31 December 2018	4,674
AMORTISATION AND IMPAIRMENT	
At 1 January 2017	—
Provided for the year	263
Impairment loss recognised in the year	1,056
At 31 December 2017	1,319
Provided for the year	264
At 31 December 2018	1,583
CARRYING VALUE	
At 31 December 2018	3,091
At 31 December 2017	1,100

The intangible assets represent the capitalised development costs incurred in developing the online backup software. The capitalised development costs are mainly employee related costs directly attributable to development activities. The costs of intangible assets comprise:

a. Development costs for the next version of the Group's core backup product, amounting HK$3,091,000 (2017: HK$836,000) — The Group will periodically launch new version of their core backup product to the market and the next version was subsequently launched in January 2019.

b. Development costs for new backup features options, amounting HK$1,583,000 — These new back-up features are add-in options to the core backup software developed by the Group and are purchased separately from the core products. During the year ended 31 December 2017, the directors of the Group reduced the estimated useful life of these intangibles from three years to one year, and at the same time, an impairment loss of HK$1,056,000 was recognised. As at 31 December 2018, the carrying values of these intangible assets were nil (2017: HK$264,000).

The above intangible assets have definite useful lives and are amortised on a straight-line basis over the estimated useful lives of one to two years after the launch of the corresponding products.

16. INVENTORIES

	2018 HK$'000	2017 HK$'000
Finished goods	**14**	15

17. TRADE AND OTHER RECEIVABLES/RENTAL DEPOSITS PAID

	2018 HK$'000	2017 HK$'000
Current assets		
Trade receivables — aged within 30 days	**2,536**	2,440
Rental and utilities deposits	**330**	291
Prepaid operating expenses and other receivables	**1,070**	1,006
Total	**3,936**	3,737
Non-current asset		
Rental deposits paid	**520**	504

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to HK$2,536,000 and HK$2,440,000 respectively.

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 provision of services. For certain type of license sales which charge the customers monthly license fees on a pay-as-you-go basis, the Group offers a credit period of 30 days to these customers.

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

Details of impairment assessment of trade and other receivables and rental deposit paid for the year ended 31 December 2018 are set out in note 27.

18. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranged from 0.01% to 2.80% (2017: 0.01% to 0.55%) per annum as at 31 December 2018 and 2017.

19. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Accrued staff costs and related expenses	**4,684**	3,938
Other payables and accrued operating expenses	**1,902**	1,502
Total	**6,586**	5,440

20. DEPOSITS AND FEES RECEIVED IN ADVANCE

	2017 HK$'000
Trade and other deposits from customers	2,866
Software upgrades and maintenance services fees received in advance	14,087
Other service fees received in advance	96
	17,049
Less: non-current portion	(603)
Current portion	16,446

21. CONTRACT LIABILITIES

	31.12.2018 HK$'000	1.1.2018* HK$'000
Trade and other deposits from customers	**2,153**	2,866
Software upgrades and maintenance services fees received in advance	**13,249**	14,087
Other service fees received in advance	**55**	96
	15,457	17,049
Current	**14,830**	16,446
Non-current	**627**	603
	15,457	17,049

* The amounts in this column are after the adjustments from the application of HKFRS 15.

21. CONTRACT LIABILITIES (continued)

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities.

	Trade and other deposits from customers HK$'000	Software upgrades and maintenance services fees received in advance HK$'000	Other service fees received in advance HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	2,866	13,484	96

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

- **Trade and other deposits from customer and software upgrades and maintenance services**

  When the Group receives a deposit before service is rendered, this will give rise to contract liabilities at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

22. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2018 HK$'000	2017 HK$'000
Deferred tax assets	**—**	84
Deferred tax liabilities	**(251)**	—
	(251)	84

22. DEFERRED TAX ASSETS/LIABILITIES (continued)

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

	Accelerated tax (accounting) depreciation HK$'000	Accelerated tax amortisation of intangible assets HK$'000	Total HK$'000
At 1 January 2017	18	—	18
(Credit) charge to profit or loss	(283)	181	(102)
At 31 December 2017	(265)	181	(84)
Charge to profit or loss	6	329	335
At 31 December 2018	(259)	510	251

As at 31 December 2018, the Group had unused tax losses and deductible temporary differences of HK$22,368,000 (2017: HK$16,636,000) and HK$1,632,000 (2017: HK$1,679,000), respectively, available for offset against future profits. A deferred tax asset has been recognised in respect of HK$1,570,000 of such deductible temporary differences as at 31 December 2018 (2017: HK$1,606,000). No deferred tax assets has been recognised in respect of the tax losses and remaining deductible temporary differences during both years due to the unpredictability of future profit streams. The tax losses arising from a PRC subsidiary of HK$301,000 as at 31 December 2018 (2017: HK$194,000) can be carried forward for five years from the year of origination. Other tax losses may be carried forward indefinitely.

23. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 31 December 2017 and 31 December 2018	10,000,000,000	100,000
Issued:		
At 1 January 2017, 31 December 2017 and 31 December 2018	2,000,000,000	20,000

24. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the current year, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss, after capitalisation of development costs, were HK$970,000 (2017: HK$1,212,000).

25. COMMITMENTS

Operating commitments

The Group as lessee

	2018 **HK$'000**	2017 HK$'000
Minimum lease payments made under operating leases during the year in respect of premises	**3,314**	2,818

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:

	2018 **HK$'000**	2017 HK$'000
Within one year	**3,166**	3,118
In the second to fifth years, inclusive	**6,240**	46
	9,406	3,164

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

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure from time to time. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, 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.

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost	**92,966**	—
Loans and receivables (including cash and cash equivalents)	**—**	89,385
Financial liabilities		
Amortised cost	**679**	335

b. Financial risk management objectives and policies

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

27. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risks

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

(i) Interest rate risk management

No sensitivity analysis was prepared for bank balances as the financial impact arising on changes in interest rates was minimal due to limited changes in interest rate.

(ii) Currency risk

The Group undertakes certain operating transactions in foreign currency, which expose the Group to currency risk. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The director of the Company 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 currencies denominated monetary assets at the end of the reporting period are as follows:

	2018 Assets HK$'000	2017 Assets HK$'000
United States Dollar ("US$")	**2,568**	2,988
Renminbi ("RMB")	**99**	238
Philippine Peso ("PHP")	**383**	198

Sensitivity analysis

The director of the Company considered that the exposure to currency risk on monetary assets denominated in RMB and PHP as at 31 December 2018 and 2017 is insignificant and no sensitivity analysis is presented accordingly. 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.

27. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and statement of financial position.

In order to minimise the 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 review the recoverable amount of each financial asset at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. Furthermore, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

To manage the risk arising from other receivables and rental deposits paid, the Group only transacts with reputable parties that have no default history and have a strong capacity to meet its contractual cash flow obligations in the near term. The credit risk on other receivables and rental deposits paid are limited because the counterparties are individuals with high internal credit ratings assessed by the management. The management has assessed that the expected credit losses for other receivables and rental deposits paid are not significant.

As at 31 December 2018 and 2017, trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. There was no single customer contributing over 10% of the total trade receivables of the Group. The Group does not have any other significant concentration of credit risk. The directors of the Company closely monitor the subsequent settlement of the customers. In this regard, the directors of the Company consider that the Group's credit concentration risk is significantly mitigated.

27. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its online backup software and related services operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. During the year ended 31 December 2018, the expected losses rate for customers in relation to its online backup software and related services operation is minimal, given there is no history of significant defaults from customer and insignificant impact from forward-looking estimates. The assessed expected credit losses for the trade receivables are not significant. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, no impairment allowance for trade receivables is provided based on the provision matrix.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2018				
Non-derivative financial liabilities				
Other payables	**—**	**679**	**679**	**679**
As at 31 December 2017				
Non-derivative financial liabilities				
Other payables	—	335	335	335

28. RECONCILIATION OF LIABILITY ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liability arising from financing activities, including both cash and non-cash changes. Liability arising from financing activities is that for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowing **HK$'000**
At 1 January 2017	8,724
Financing cash flows	(8,797)
Interest expenses	73
At 31 December 2017 and 2018	—

29. SHARE OPTION SCHEME

Pursuant to the Company's share option scheme (the"Scheme") adopted on 4 September 2015 for the primary purpose of providing incentives or rewards to eligible persons for their contribution or potential contribution to the Group. Eligible persons including but not limited to the Group's shareholders, directors, employees, business partners, customers and suppliers.

The Board may grant options to subscribe for shares in the Company at a price determined by its Board, but 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 sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share on such date of grant.

Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

The Scheme will remain in force for a period of ten years from the date of its adoption. Options granted may be accepted within 21 business days from the date of grant. A consideration of HK$1 is payable on the acceptance of the offer of grant of an option. An option is exercisable on the date when the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the options.

No options have been granted during both years under the Scheme.

30. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party:

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

Name of related company	Nature of transactions	2018 HK$'000	2017 HK$'000
Assets Sino Investments (HK) Limited*	Rental expenses paid	**3,000**	2,818

* Assets Sino Investments (HK) Limited is under common control of certain directors of the Company, and hence, it is a related party of the Group.

(b) Compensation of key management personnel:

The remuneration of key management, including all directors and chief executive whose emoluments have been set out in note 11, during the year is as follows:

	2018 HK$'000	2017 HK$'000
Short-term benefits	**13,761**	13,379
Post-employment benefits	**120**	126
	13,881	13,505

31. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries held by the Company at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation/ registration/operation	Issued and fully paid up share capital/ registered capital	Attributable equity interest held by the Group		Principal activities
			2018	**2017**	
Ahsay HK	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Investment holding and provision of online backup software solution to clients via internet
亞勢軟件(重慶)有限公司 Ahsay Systems Corporation (Chongqing) Limited	The PRC	Registered capital RMB100,000	**100%**	100%	Inactive
Alpha Heritage	BVI	Ordinary share US$1	**100%***	100%*	Investment holding
Apex Ace Investments Limited	BVI	Ordinary share US$1	**100%***	100%*	Investment holding
ASCL	Hong Kong	Ordinary shares HK$580,000	**100%**	100%	Provision of services to a fellow subsidiary through representative office in the Philippines
Ahsay Operation Centre Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	—	Inactive
CloudBacko BVI	BVI/Hong Kong	Ordinary shares US$10	**100%**	100%	Provision of online backup software solution to clients via internet
Hekman Limited	BVI	Ordinary shares US$10	**100%**	100%	Investment holding
Kintips Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Provision of information sharing services

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

None of the subsidiaries had issued any debt securities at the end of both years.

32. FINANCIAL INFORMATION OF THE COMPANY

ASSETS AND LIABILITIES

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	—	—
CURRENT ASSETS		
Amounts due from subsidiaries	4,282	6,232
Receivables, deposits and prepayments	251	231
Bank balances and cash	74,387	71,501
	78,920	77,964
NET CURRENT ASSETS	78,920	77,964
NET ASSETS	78,920	77,964
CAPITAL AND RESERVES		
Share capital	20,000	20,000
Reserves	58,920	57,964
	78,920	77,964

RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	72,435	(14,812)	57,623
Profit for the year and other comprehensive income	—	341	341
At 31 December 2017	72,435	(14,471)	57,964
Profit for the year and other comprehensive income	—	956	956
At 31 December 2018	72,435	(13,515)	58,920

Financial Summary

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

	Year ended 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**63,014**	57,610	54,912	57,266	53,973
Net profit (loss) for the year (before listing expenses, one-off gain on disposal of property, plant and equipment and net profit from discontinued operation)	**7,860**	(680)	(11,101)	4,258	14,697
Listing expenses	**—**	—	—	(15,235)	—
Gain on disposal of property, plant and equipment	**—**	—	—	53,546	—
Net profit from discontinued operation	**—**	—	—	2,793	3,770
Net profit (loss) for the year	**7,860**	(680)	(11,101)	45,362	18,467

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**100,388**	92,175	102,309	112,530	119,734
Total liabilities	**(23,236)**	(22,869)	(32,343)	(31,446)	(74,698)
Total equity	**77,152**	69,306	69,966	81,084	45,036

Note:

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

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