



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



2015
Annual Report

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

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

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

Contents

Corporate Information	2
Chairman’s Statement	4
Management Discussion and Analysis	6
Directors and Senior Management	15
Report of the Directors	20
Corporate Governance Report	32
Independent Auditor’s Report	43
Consolidated Statement of Profit or Loss and Other Comprehensive Income	45
Consolidated Statement of Financial Position	46
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50
Financial Summary	98



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*)

Non-Executive Director

Ms. Chong Siu Fan

Independent Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

AUTHORISED REPRESENTATIVES

Mr. Chong Siu Pui
Mr. Chong Kam Fung

COMPANY SECRETARY

Mr. Chong Kam Fung (*FCPA*)

COMPLIANCE OFFICER

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

Chong Hing Bank Limited

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

K & L Gates (*as to Hong Kong law*)

COMPLIANCE ADVISER

VBG Capital Limited

STOCK CODE

8290

WEBSITE

www.ahsay.com.hk

Chairman's Statement



Dear Shareholders,

On behalf of the board of directors (the "Board") of Ahsay Backup Software Development Company Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015.

The financial year of 2015 was an extraordinary one for the Company, the shares of the Company (the "Shares") were successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which was a significant milestone in the history of the Company.

For the year ended 31 December 2015, the Group has recorded a total revenue of approximately HK\$57.3 million, representing an increase of 6.1% as compared to approximately HK\$54.0 million for the year ended 31 December 2014. The Group recorded a profit for the year of approximately HK\$18.5 million and HK\$45.4 million for the year ended 31 December 2014 and 31 December 2015, respectively. After taking out the effect of the one-off non-recurring listing expenses of approximately HK\$15.2 million, the one-off gain on disposal of property, plant and equipment of approximately HK\$53.5 million and profit from discontinued operation of approximately HK\$2.8 million for the year ended 31 December 2015, the Group would have recorded profit after tax from continuing operation of approximately HK\$4.3 million for the year ended 31 December 2015.

We derived substantially all of our revenue from software licence sales and leasing and software upgrades and maintenance services from our Ahsay™ Backup Software. The multi-lingual, multi-platform and multi-application built-in features of our Ahsay™ Backup Software enable the rapid worldwide market penetration of our Ahsay™ Backup Software. For the year ended 31 December 2015, we had over 4,000 customers from over 75 countries worldwide. We believe that our diversified customer base and our extensive experience in developing backup software for use in different countries allow us to capture growth opportunities and to reduce our reliance on any single market.



Chairman's Statement

Given our Group's extensive experience in the backup software industry and proven track record in delivering backup software products and services to customers across different continents, we believe that we are able to remain competitive in the changing market and continue our success and business growth in the future.

Looking forward, we aim to further strengthen the position of the Group as a market leader in online backup software solutions targeted at small and medium-sized enterprises ("SMEs") worldwide to achieve sustainable growth in the current business. The Group always attaches importance to its talents as a long run personnel strategy. With the expansion of the business scale of the Group in the future, we plan to recruit additional staff in research and development ("R & D") team in order to strengthen our software development capabilities.

Amidst keen competition in the market, the management of the Company will continue to conduct its business in a proper manner in strict compliance with the laws and regulations as well as accounting standards in relevant jurisdictions. In the course of interaction and cooperation with stakeholders, the Company will endeavor to strike a balance in safeguarding the interests of stakeholders to ensure sustainable and healthy development for the Group.

Last but not least, on behalf of the Board, I would like to express my gratitude to all shareholders, customers, bankers, management team and staff members for their continuously support and contribution to the Group during the year.

Chong King Fan

Chairman and Executive Director

Hong Kong

15 March 2016

Management Discussion and Analysis

Reorganisation and Listing of the Company's Shares

The Company was incorporated in the Cayman Islands on 10 April 2015 as an exempted company with limited liability. In preparation for the listing (the "Listing") of the ordinary shares of HK\$0.01 each of the Company on GEM of the Stock Exchange by way of placing ("Placing") of 500,000,000 Shares at a placing price of HK\$0.2 per Share, the Group underwent a corporate reorganisation (the "Reorganisation") in 2015. Pursuant to the Reorganisation, the Company became the holding company of the subsidiaries now comprising the Group. Details of the Reorganisation are set out in the section headed "History, Development and Reorganisation" of the prospectus of the Company dated 25 September 2015 (the "Prospectus") and note 2 to the consolidated financial statements. Unless otherwise stated, the capitalised terms in this report shall have the same meaning as in the Prospectus.

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress from the date of Listing to 31 December 2015 is set out below:

Business strategy	Business objectives for the period since the date of Listing (i.e. 8 October 2015) up to 31 December 2015 ("Review Period")	Actual business progress during the Review Period
Strengthen our software development capabilities	Expand R & D team by approximately 15 staff members with diplomas or higher education degrees in computer science or IT related disciplines, who processes 3 to 5 years of solid programming experience in Java language preferably with solid knowledge of Windows, Linux and Mac operating systems, database management systems (such as MS-SQL, Oracle and MySQL) and other applications (such as Lotus Domino, VMware and Hyper-V)	Three additional R & D staff members were recruited with relevant qualification. Less R & D staff members were recruited compared to the business objective as set out in the Prospectus was due to less applications from desirable applicants were received during the Review Period.
	Review the remuneration package of existing members of R & D team and candidates who will join the team	The Group has reviewed the remuneration package of existing members of R & D team and candidates who will join the team and the new remuneration package became effective on 1 January 2016.
Broaden our customer base	Place advertisements in magazines in the IT industry Participate in exhibitions in the IT industry Increase our exposure on various online search platforms	The Group has placed advertisements in a magazine (i.e. PC Market) in the IT industry. The Group is in the process of identifying exhibitions in the IT industry to participate. The Group has paid various online search platforms (i.e. Google AdWords and Bing Ads) to increase exposure.

Management Discussion and Analysis

Use of Proceeds

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

An analysis of the utilisation of the actual net proceeds and the unused amount as at 31 December 2015 is set out below:

Use of proceeds	Net proceeds HK\$'000	Utilised amount HK\$'000	Unused amount HK\$'000
Strengthen our software development capabilities	11,040	171	10,869
Broaden our customer base	7,874	841	7,033
Pursue selective acquisition and partnership	50,566	—	50,566
Working capital and other general corporate purpose	7,720	3,770	3,950
Total	77,200	4,782	72,418

The unused net proceeds have been placed as interest bearing deposits with licensed banks in Hong Kong.

Business Review

The Group is an online backup software developer based in Hong Kong, with a focus on providing its self-developed backup software products as well as services to customers. Developed in Hong Kong, the Group's backup software products are equipped with multi-lingual, multi-platform and multi-application built-in features. One of the Group's backup software, the Ahsay™ Backup Software, supports more than 30 languages and dialects, and can be used on various platforms and with different software applications. Virtually all of the Group's backup software products and (software upgrading and maintenance) services are sold or leased or ordered by customers through the Internet on the Group's sales websites.

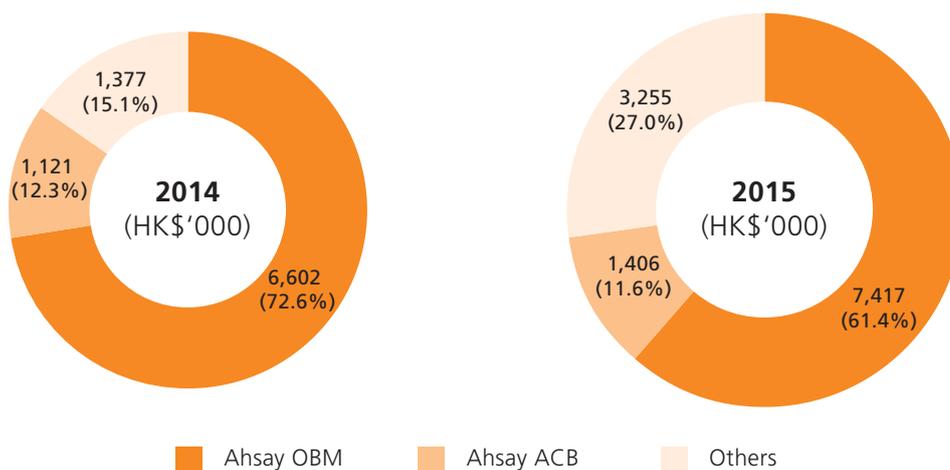
Cloud is a fast-evolving technology in recent years, and may be regarded as the modern more robust version of "online" or the "Internet". Ahsay™ Backup Software supports different modes of backup, including on-premises backup through LAN/WAN and an online/offsite/remote/cloud backup through the Internet. Data backed up using the Ahsay™ Backup Software can be stored at different storage destinations determined by the Group's customers and end-users, such as on-premises servers and private cloud storage. The Group provides software and related services to backup data and generally does not provide storage services for data backup, except for certain customers in Hong Kong.

The revenue of the Group has recorded a mild growth of approximately 6.1% from approximately HK\$54.0 million for the year ended 31 December 2014 to approximately HK\$57.3 million for the year ended 31 December 2015.

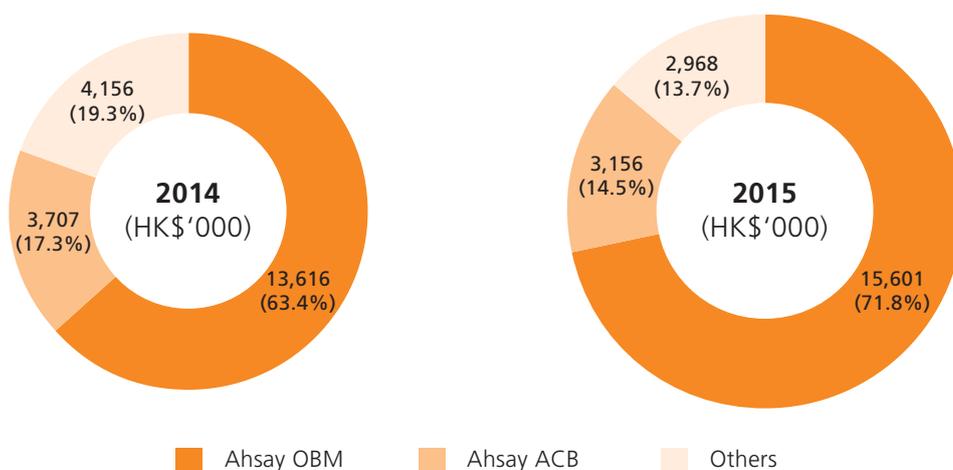
Management Discussion and Analysis

For the year ended 31 December 2015, Ahsay Online Backup Manager (“Ahsay OBM”) and Ahsay A-Click Backup (“Ahsay ACB”), which are core component of Ahsay™ Backup Software, in aggregation accounted for approximately 81.6% of the revenue from software license sales and leasing of the Group. The following graphs analyse the revenue contributed from software license sales and leasing of the Group for the year ended 31 December 2014 and 2015 respectively:

i) Revenue by software license sales:



ii) Revenue by software license leasing:



For the year ended 31 December 2015, the number of license sales of Ahsay OBM was 32,502 as compared with 19,456 of the corresponding period in 2014, which represented an increase of approximately 67.1%. This was mainly due to the Group offering one-off promotion to existing customers who would like to upgrade to the new version of Ahsay OBM in the fourth quarter of 2015.

Management Discussion and Analysis

For the year ended 31 December 2015, the number of license sales of Ahsay ACB was 9,683 as compared with 8,071 of the corresponding period in 2014, representing an increase of approximately 20.0%. This was mainly due to the bulk purchase of Ahsay ACB from new customer in South Africa during the year ended 31 December 2015.

For the year ended 31 December 2015, the monthly sum of license leasing for Ahsay OBM was 368,658 as compared with 356,975 of the corresponding period in 2014, representing an increase of approximately 3.3%. This was consistent with the increase of marketing and advertising effort in promoting our Group's products and services compared with 2014.

For the year ended 31 December 2015, the monthly sum of license leasing for Ahsay ACB was 163,768 as compared with 182,811 of the corresponding period in 2014, representing a decrease of approximately 10.4%. This was mainly due to one of the customers in the United States ceased to lease Ahsay ACB for the year ended 31 December 2015 as compared to 9,876 being the monthly sum of license leasing of Ahsay ACB from such customer for the year ended 31 December 2014.

The Group has accumulated rich experience in the development of backup software products and services since the debut of Ahsay™ Backup Software in 2003. Dedicated to meet the latest needs of enterprises and backup service providers, Ahsay™ Backup Software Version 7 ("Version 7") has been launched in December 2015. Version 7 is an advanced client-server-based solution offering on-premises cloud backup. Through this software, users can manage the backup users' authorisation procedures and systems anytime and anywhere. They can immediately manage the users and monitor the system status, thus greatly enhancing management flexibility. Since Version 7 was released shortly before 31 December 2015, the adoption rate (calculated as the number of customers who are using Version 7 divided by total customers of the Group) of Version 7 was less than 5% as at 31 December 2015.

To drive the backup business worldwide and become a leading developer and provider of backup software products and services for all platforms, applications and all languages, we intend to strengthen our software development capabilities; broaden our customer base and pursue growth through selective acquisition and partnerships. These business objectives and future plans have been stated in the Prospectus based on the best estimate and assumption of future market conditions made by the Group. Please refer to the section headed "Comparison of Business Objectives with Actual Business Progress" of this report and the section headed "*Business Objectives and Futures Plans — Implementation Plans*" of the Prospectus for further details.

Moving ahead, the Group plans to increase market share in the backup software sector by focusing on improving products and services, in particular, those that support both private and public cloud technology. The Group is accredited as a market leader in online backup software solutions targeted at SMEs worldwide, and the market size of the global backup software market will grow steadily in the coming years. The demand from SMEs for backup software products is also expected to increase steadily in the next 5 years. The management of the Group believes that the Listing of the Shares on GEM of the Stock Exchange can enhance the Group's corporate profile and image, and that the net proceeds from the Placing can strengthen the Group's financial position.

Principal Risks and Uncertainties

- We derived substantially all of our revenue from software license sales and leasing and software upgrades and maintenance services from Ahsay™ Backup Software for the year ended 31 December 2015. Any failure to continuously maintain or enhance the performance of Ahsay™ Backup Software and end-user experience and launch high-quality new software could both materially and adversely affect our business and results of operations.
- Our performance relies heavily on key executives, our business may be adversely affected if they cease to serve us in the future and we fail to find suitable replacements.

Management Discussion and Analysis

- We may be unable to attract and retain skilled staff. Any shortfalls in our skilled workforce or increase in staff costs may materially and adversely affect our business operations and financial performance, and we may not be able to execute our business strategies to drive our growth.
- Any failure to protect our intellectual property rights could reduce the value of our products, services and brands.
- Any failure to recover software development costs could affect our business prospects and profitability.
- We face intense competition, which could reduce our market share and materially and adversely affect our results of operations and growth prospects

Please refer to the and section headed “Risk Factors” of the Prospectus for further details of other risks and uncertainties.

Outlook

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

Financial Review

Overview

The revenue of the Group has recorded a mild growth of approximately 6.1% from approximately HK\$54.0 million for the year ended 31 December 2014 to approximately HK\$57.3 million for the year ended 31 December 2015. Significant growth was recorded as to the Group’s profit after tax from continuing operation (excluding listing expenses) of approximately 293.2% from approximately HK\$14.7 million for the year ended 31 December 2014 to approximately HK\$57.8 million for the year ended 31 December 2015. The Group recorded profit after tax from continuing and discontinued operations of approximately HK\$18.5 million and HK\$45.4 million for the year ended 31 December 2014 and 2015, respectively, representing an increase of approximately 145.4%. This is mainly due to a gain on disposal of property, plant and equipment of approximately HK\$53.5 million recognised pursuant to the Reorganisation.

Revenue

The Group’s revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services, other services and sale of hardware devices. Revenue of approximately HK\$54.0 million and approximately HK\$57.3 million was recognised for the year ended 31 December 2014 and 31 December 2015, respectively, representing a mild growth of approximately HK\$3.3 million or 6.1%.

The increase was mainly due to the increase of software license sales and leasing of approximately HK\$3.2 million or 10.5% from approximately HK\$30.6 million for the year ended 31 December 2014 to approximately HK\$33.8 million for the year ended 31 December 2015.

Other Income

Other income decreased by approximately HK\$1.7 million or 81.0%, to approximately HK\$0.4 million for the year ended 31 December 2015 from approximately HK\$2.1 million for the year ended 31 December 2014. The decrease was primarily due to (1) no management fee was received upon cessation of management service provided to connected parties and (2) less interest income from related parties was derived during the year ended 31 December 2015.

Other Gains and Losses

For the year ended 31 December 2015, the Group recorded other losses, net of approximately HK\$0.8 million, against other gains, net of approximately HK\$2.1 million for the year ended 31 December 2014. This was mainly due to the decrease in fair value of held for trading investments of approximately HK\$0.8 million recorded for the year ended 31 December 2015, against the increase in fair value of held for trading investments of approximately HK\$2.1 million recorded for the year ended 31 December 2014. The Group did not conduct any trading of securities after the Listing.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, MPF contributions, directors' quarters and other staff welfare. Staff costs and related expenses increased by approximately HK\$7.3 million or 23.6%, to approximately HK\$38.2 million for the year ended 31 December 2015 from approximately HK\$30.9 million for the year ended 31 December 2014. The increase was mainly due to the increase in total headcount of the Group and salaries increment as well as the Listing bonus of approximately HK\$3.8 million paid during the year ended 31 December 2015. The payment of Listing bonus of approximately HK\$3.8 million was financed by net proceeds used for working capital and other general corporate purpose from the Listing.

Other Expenses

Other expenses primarily comprised depreciation, advertising and marketing expenses, merchant credit card charges, and other regular office expenses such as utilities. Other expenses increased by approximately HK\$3.5 million or 43.8%, to approximately HK\$11.5 million for the year ended 31 December 2015 from approximately HK\$8.0 million for the year ended 31 December 2014. The increase of other expenses for the year ended 31 December 2015 was mainly due to the increase in (i) rental expenses of office premises of approximately HK\$1.5 million, (ii) auditor's remuneration of approximately HK\$1.2 million, (iii) marketing and advertising expenses of approximately HK\$1.1 million, and (iv) legal and professional expenses of approximately HK\$0.7 million as compared with the same period of last year. The increase was partially offset by the decrease in depreciation of approximately HK\$1.1 million.

Listing Expenses

The Group recorded listing expenses of approximately HK\$15.2 million for the year ended 31 December 2015, in connection with the preparation for the Listing. Total listing expenses were approximately HK\$22.8 million, and part of these expenses of approximately HK\$7.6 million was available for offsetting against the Company's equity reserves.

Management Discussion and Analysis

Finance Costs

Finance costs primarily represented interest expenses on bank borrowings. Finance costs decreased by approximately HK\$0.1 million or 10.0%, to approximately HK\$0.9 million for the year ended 31 December 2015 from approximately HK\$1.0 million for the year ended 31 December 2014. The decrease was mainly due to repayment of certain bank loans during the Reorganisation in 2015.

Income Tax Expenses

Income tax expenses decreased by approximately HK\$1.8 million or 52.9%, to approximately HK\$1.6 million for the year ended 31 December 2015 from approximately HK\$3.4 million for the year ended 31 December 2014. The decrease was mainly due to the gain on disposal of property, plant and equipment of approximately HK\$53.5 million which was not taxable and partly offset by the listing expenses of approximately HK\$15.2 million which were not deductible for tax purpose.

Profit for the Year

The Group recorded a profit of approximately HK\$18.5 million and HK\$45.4 million for the year ended 31 December 2014 and 31 December 2015, respectively. After taking out the effect of the one-off non-recurring listing expenses of approximately HK\$15.2 million, the one-off gain on disposal of property, plant and equipment of approximately HK\$53.5 million and profit from discontinued operation of approximately HK\$2.8 million for the year ended 31 December 2015, the Group would have recorded profit after tax from continuing operation of approximately HK\$4.3 million for the year ended 31 December 2015.

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. Hong Kong dollars are pegged to United States dollars under the current policy of the Government of the Hong Kong Special Administrative Region. As the Group's cash and bank balances and borrowings were substantially denominated in Hong Kong dollars, risk in exchange rate fluctuation would not be material.

The Group has remained at a sound financial resource level. As at 31 December 2015, current assets (included cash and bank balances) of approximately HK\$111.2 million (31 December 2014: approximately HK\$42.6 million). After deducting the bank borrowings balances, the Group remained at a net cash position as at 31 December 2015. Before the Company became listed on GEM of the Stock Exchange, the Group's operations were mainly financed by its shareholders' fund injections, loans and internal resources. Following the Listing, the Group's operations were mainly financed by internal resources and the Group's liquidity position became stronger and this enables the Group to expand in accordance with its business directions.

Capital Structure

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

Bank and Other Borrowings

As at 31 December 2015, the Group had bank borrowings of approximately HK\$10.1 million.

Gearing Ratio

As at 31 December 2015, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 12.5% (31 December 2014: approximately 101.9%). The decrease is mainly attributable to the repayment of bank borrowings during the Reorganisation and increase in total equity upon the Listing of the Company during the year ended 31 December 2015.

Charges Over Assets of the Group

As at 31 December 2015, there was no charge over the assets of the Group. As at 31 December 2014, the Group's borrowings were secured by the Group's leasehold land and buildings and investment properties of an aggregated amount of approximately HK\$76.4 million. Details of charges on the Group's assets are set out in note 33 to the consolidated financial statements.

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 2015, no related hedges were made by the Group (2014: 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 2015 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 will continue to monitor its related interest rate exposure closely.

Management Discussion and Analysis

Capital Commitments and Contingent Liabilities

As at 31 December 2015, the Group did not have any significant capital commitment (31 December 2014: nil) and contingent liability (31 December 2014: nil). The Group did not have plans for material investments or purchases of capital assets in the near term.

Material Acquisitions and Disposals

Save for the Reorganisation during the year ended 31 December 2015, the Group did not have any material acquisition and disposal.

In June 2015, the Group disposed of the remaining of its investment properties and its leasehold land and buildings at a total consideration of approximately HK\$102.9 million to related parties under common control of the controlling shareholders of the Company (the "Controlling Shareholders").

Employees and Remuneration Policies

As at 31 December 2015, the Group had a workforce of 62 employees (2014: 53). The increase in number of employees was mainly due to the expansion of the R & D team. Total director and staff costs for the year ended 31 December 2015 was approximately HK\$37.1 million, representing an increase of approximately HK\$6.6 million or 21.6% as compared to the year ended 31 December 2014. Details of emoluments of the Directors and five highest paid individuals are set out in note 14 to the consolidated financial statements.

Remuneration is determined with reference to the duties, responsibilities, experience and competence of individual employee and Director. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefits included the mandatory provident fund prescribed by the Mandatory Provident 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") and non-executive Director) may also be granted share options by the Company from time to time pursuant to the share option scheme adopted on 4 September 2015, details of which are set out in section headed "Report of the Directors" in this report.

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

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

Directors and Senior Management

Executive Directors

Mr. Chong King Fan (莊景帆), aged 68, was appointed as a Director on 10 April 2015 and designated as the chairman of our Board and an executive Director on 9 June 2015. Mr. Chong King Fan is responsible for overseeing the business development and in-house operations of our Group.

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

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

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

Directors and Senior Management

Mr. Chong Siu Pui (莊小霽), aged 46, was appointed as a Director on 10 April 2015 and designated as the chief executive officer of our Group and an executive Director on 9 June 2015. He is one of the founders of our Group. Mr. Schubert Chong has also been the chief executive officer and financial director of Ahsay HK since October 2005. Mr. Schubert Chong is responsible for overseeing the business development, in-house operations, overall strategic planning and the finance and accounting activities of our Group.

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

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

Mr. Chong Siu Ning (莊小靈), aged 42, was appointed as a Director on 10 April 2015 and designated as the vice-chairman of our Board and an executive Director on 9 June 2015. He is one of the founders of our Group. He has also been the director and information technology & marketing director of Ahsay HK since August 1999 and July 2000 respectively. Mr. Scherring Chong is responsible for overseeing the business development, strategic planning and information technology development of our Group.

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

Mr. Scherring Chong has more than 15 years of experience in the backup software industry. Prior to forming our Group, he worked as an associate software specialist at Oracle Systems Hong Kong 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.

Non-executive Director

Ms. Chong Siu Fan (莊小霧), aged 43, is a non-executive Director appointed on 9 June 2015. Ms. Monita Chong is responsible for advising on business opportunities for investment, development and expansion of our Group.

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

Independent Non-executive Directors

Mr. Wong Cho Kei Bonnie (黃楚基), aged 47, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board of our Group. Mr. Wong obtained the degree of Bachelor of Science in Biomedical Engineering from Boston University, the US, and the degree of Master of Engineering (Electrical) from Cornell University, the US, in May 1990 and August 1991 respectively.

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

Directors and Senior Management

Ms. Wong Pui Man (黃佩文), aged 43, is an independent non-executive Director appointed on 4 September 2015. Ms. Wong is responsible for providing independent advice to the Board of our Group. Ms. Wong obtained the degree of Bachelor of Business Administration in Information and Systems Management from The Hong Kong University of Science and Technology in November 1996. Ms. Wong received her degree of Bachelor of Chinese Medicine from Hong Kong Baptist University in November 2009. Ms. Wong currently holds the Practising Certificate for Registered Chinese Medicine Practitioner and is a registered Chinese medicine practitioner.

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

Mr. Wong Yau Sing (黃有成), aged 65, is an independent non-executive Director appointed on 4 September 2015. Mr. Wong is responsible for providing independent advice to the Board of our Group.

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

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

Senior Management

Mr. Lau Ka Yan Andy (劉嘉恩), aged 47, is the sales director of Ahsay HK. Mr. Lau joined Ahsay HK as an associate business development director on 8 August 2011 and he was promoted to sales director in July 2012. Mr. Lau is responsible for the global sales operation of the Group.

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

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

Mr. Chong Kam Fung (莊金峰), aged 36, is the company secretary and finance director of our Company, and the finance director of Ahsay HK. Mr. Chong Kam Fung joined us as the finance director of Ahsay HK in March 2015. Mr. Chong Kam Fung is primarily responsible for the overall corporate financial matters, capital management, investor relations, corporate governance, company secretarial and the strategic planning of our Group.

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

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

Report of the Directors

The Directors of the Company is pleased to present their first annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2015.

Principal Activities

The principal activity of the Company is investment holding and its subsidiaries are principally engaged in the provision of online backup software solutions to clients via internet. Details of the principal activities of the subsidiaries are set out in note 36 to the consolidated financial statements. There were no significant changes in the nature of the principal activities of the Group during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 45 to 97.

The Board did not recommend a payment of final dividend for the year ended 31 December 2015.

Property, Plant and Equipment

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

Share Issued in the Year

Details of Company's shares issued during the year ended 31 December 2015 are set out in note 28 to the consolidated 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

Save for those in connection with the Reorganisation and the Placing, details of which are set out in the Prospectus, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015 and up to the date of this report.

Reserves

Details of movements in the reserves of the Company and of the Group during the year are set out in note 37 to the consolidated 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 2015.

Major Customers and Suppliers

During the year ended 31 December 2015, sales attributable to the Group's largest customer and five largest customers accounted for approximately 4.0% and 9.3% 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 2015.

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

Report of the Directors

Directors

(a) Directors of the Company

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 (<i>Chairman</i>)	(<i>appointed on 10 April 2015</i>)
Mr. Schubert Chong (<i>Chief Executive Officer</i>)	(<i>appointed on 10 April 2015</i>)
Mr. Scherring Chong (<i>Vice Chairman</i>)	(<i>appointed on 10 April 2015</i>)

Non-Executive Director

Ms. Monita Chong	(<i>appointed on 9 June 2015</i>)
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Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie	(<i>appointed on 4 September 2015</i>)
Ms. Wong Pui Man	(<i>appointed on 4 September 2015</i>)
Mr. Wong Yau Sing	(<i>appointed on 4 September 2015</i>)

All Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting in accordance with Article 83(3) of the Company's Articles of Association.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report, Mr. Chong King Fan, Mr. Schubert Chong, Mr. Scherring Chong and Ms. Monita Chong are also directors in certain subsidiaries of the Company. Other director of the Company's subsidiaries during the year and up to the date of this report include Mrs. Chong.

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 for an initial term of three years commencing from 8 October 2015 ("Listing Date") which may only be terminated in accordance with the provision of the service contract or appointment letter (as the case may be). All of the Directors are subject to retirement by rotation and re-election in accordance to the Articles of Association.

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 the Prospectus, there was no transaction, arrangement or contract of significance 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 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 2015 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

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

Report of the Directors

Share Option Scheme

The Company adopted a share option scheme (the “Share Option Scheme”) on 4 September 2015 to provide incentives or rewards to eligible persons for their contribution to, and continuing efforts to promote the interest of, the Group. For the purpose of this section, reference 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 mean: (i) any Employee; (ii) any non-executive Director (including independent non-executive Directors) of our Group or any Invested Entity, (iii) any supplier of goods or services to any member of our Group or any Invested Entity; (iv) any customer, business or joint venture partner, franchisee, contractor, agent or representative of our Group or any Invested Entity; (v) any consultant, adviser, manager, officer or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to our Group or any Invested Entity; and (vi) any direct or indirect shareholder of our Group. 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 2015.

Equity-linked Agreements

Other than the Share Option Scheme of the Company as describe above, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year or subsisted at the end of the year.

Report of the Directors

Related Party Transactions

Significant related party transactions entered into by the Group during the year ended 31 December 2015 are disclosed in note 35 to the consolidated financial statements. Transaction constituted continuing connected transaction under the GEM Listing Rules is identified below:

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

Ahsay HK has been leasing Ahsay™ Backup Software to Almega System Analysts Limited on normal commercial terms which are no more favourable than those made available to customers of the Group which are independent third parties and the amount received from Almega System Analysts Limited was approximately HK\$5,100 for the year ended 31 December 2015.

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

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

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

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

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

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

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

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

The auditor has confirmed to the Board in writing that for the year ended 31 December 2015, the continuing connected transactions, which were entered into,:

1. have received the approval of the Board;
2. have been in accordance with the relevant agreement governing such transactions; and
3. have not exceeded the annual cap amount as set by the Company for the financial year ended 31 December 2015.

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

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

As at 31 December 2015, 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 they were taken or deemed to have under such provisions of the SFO); or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long Positions in shares

Name of Director	Capacity/nature of interest	Notes	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 2015, the Company had 2,000,000,000 Shares in issue.
2. As at 31 December 2015, 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, 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, Mr. Schubert Chong and Mr. Scherring Chong are deemed to be interested in the Shares held by All Divine.

Report of the Directors

Save as disclosed above, as at 31 December 2015, 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 required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 December 2015, shareholders (other than the Directors or chief executive of the Company) who 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 which were recorded in the register required to be kept by the Company 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	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 2015, 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, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mrs. Chong, 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 2015, 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 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 Company has complied with all the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") as contained in Appendix 15 to the GEM Listing Rules from the date of Listing to 31 December 2015.

Directors' and Controlling Shareholders' Interest in Competing Business

For the year ended 31 December 2015, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

Compliance Adviser's Interests

In accordance with Rule 6A.19 of the GEM Listing Rules, the Company has appointed VBG Capital Limited ("VBG Capital") (formerly known as V Baron Global Financial Services Limited) to be the compliance adviser. VBG Capital, being the sponsor to the Listing, had declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules in connection with the Listing. Save as provided for under the underwriting agreement relating to the placing of the shares during the Listing, during the Review Period, neither VBG Capital nor any of its directors, employees or close associate who have been involved in providing advice to the Company, has or may have any interest in any securities of the Company or any other companies of the Group (including options or rights to subscribe for such securities) and/or any material benefit accrued to VBG Capital or its close associates.

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

Report of the Directors

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 required under the GEM Listing Rules since the Listing Date and up to the date of this report.

Environmental Policies and Performances

As a supporter of environmental protection, the Company strives for efficient and effective use of energy and resources in operation and management level of the Company. Energy conservation is a priority under environmental protection and energy-saving devices are used to reduce power consumption for lights. To enhance environmental awareness and encourage daily participation among the staff, there are policies in relation to energy conservation so as to minimise negative environmental impacts. Energy efficiency practices are enforced as to reduce wastage and avoid utilisation of unnecessary resources including:

- 1) The use of electricity in the office of the Group must comply the principles of power saving, safety first, high efficiency and low consumption.
- 2) Lights and electronic appliances in living area or workplace must be turned off when not in use.
- 3) 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.
- 4) Other than formal documents that require the use of papers, each department is advised to handle documents electronically. When the use of paper is required, each piece of paper must be printed double-sided except for formal and confidential documents.

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 of knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 December 2015.

Key Relationships with Employees

Human resources are the most valuable asset of the Group. Developing and retaining talents are vital to our success. The Group is committed to providing them with a safe, pleasant and healthy working environment. The Group rewards and recognises employees by competitive remuneration package and implements a key performance index scheme with appropriate incentives, and promote career development and progression by providing opportunities for career advancement.

In addition, each department of the Group is responsible for determining its training needs for employee in its department and 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 strives to ensure that all employees can fulfill the relevant job requirements in terms of education, training, technical and work experience.

Key relationships with customers

The Group has a globally diversified customer base with over 4,000 customers from over 75 countries worldwide. In order to maintain relationships with customers, various means have been established 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 our Group's business and which was required by our Group on a regular basis to enable our Group to continue to supply or service our customers.

Auditors

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

The consolidated financial statements for the year were audited by DTT whose term of office will expire upon the forthcoming annual general meeting. A resolution will be proposed to the forthcoming annual general meeting to re-appoint DTT as auditors of the Company.

On behalf of the Board

Chong King Fan

Chairman and Executive Director

Hong Kong

15 March 2016

Corporate Governance Report

Corporate Governance Practices

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

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

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

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

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

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

Board of Directors

Board Composition

The Company was incorporated on 10 April 2015. On 10 April 2015, three Directors namely Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong were appointed. On 9 June 2015, one Director namely Ms. Monita Chong was appointed. To prepare for the Listing of its Shares on the Stock Exchange, improving corporate governance and to add further skills and experience that are appropriate for the requirements of the Group's business, changes in the Board composition took place on 4 September 2015 by appointing three additional INEDs, namely Mr. Wong Cho Kei Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing.

On 9 June 2015, Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong were re-designated as executive Directors and Mr. Chong King Fan, Mr. Schubert Chong and Mr. Scherring Chong were re-designated as Chairman of the Board, Chief Executive Officer and Vice Chairman of the Board, respectively. On the same date, Ms. Monita Chong was appointed as a non-executive Director. On 4 September 2015, Mr. Wong Cho Kei Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing were re-designated as INEDs in compliance with Rules 5.05(1) and (2) of the GEM Listing Rules, in which at least one of them has appropriate professional qualifications or accounting or related financial management expertise.

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

As at 31 December 2015 and as at the date on which this annual report is approved, the Board comprises three executive Directors, one non-executive Director 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 (<i>Chairman</i>)	(<i>appointed on 10 April 2015</i>)
Mr. Schubert Chong (<i>Chief Executive Officer</i>)	(<i>appointed on 10 April 2015</i>)
Mr. Scherring Chong (<i>Vice Chairman</i>)	(<i>appointed on 10 April 2015</i>)

Non-Executive Director

Ms. Monita Chong	(<i>appointed on 9 June 2015</i>)
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Independent Non-Executive Directors

Mr. Wong Cho Kei Bonnie	(<i>appointed on 4 September 2015</i>)
Ms. Wong Pui Man	(<i>appointed on 4 September 2015</i>)
Mr. Wong Yau Sing	(<i>appointed on 4 September 2015</i>)

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.

Corporate Governance Report

Term of Appointment and Re-election

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

Pursuant to the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement 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 and General Meetings

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

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

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

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.

The Shares first became listed on GEM of the Stock Exchange on 8 October 2015. From the date of Listing and up to the date of annual report, two Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

Name of Director	Attendance
<i>Executive Directors</i>	
Mr. Chong King Fan	2/2
Mr. Schubert Chong	2/2
Mr. Scherring Chong	1/2
<i>Non-Executive Director</i>	
Ms. Monita Chong	2/2
<i>Independent Non-Executive Directors</i>	
Mr. Wong Cho Kei Bonnie	2/2
Ms. Wong Pui Man	2/2
Mr. Wong Yau Sing	2/2

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

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

The forthcoming AGM is the first general meeting of the Company since the Listing.

Directors' Continuous Training and Professional Development

In compliance with the code provision A.6.5 of the CG Code, all Directors had participated in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Directors had provided the relevant record to the Company for the year.

The Company is committed in arranging and funding suitable training to all Directors for their continuous professional development. Each Director is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All the Directors also understand the importance of continuous professional development and are committed to participate in any suitable training to develop and refresh their knowledge and skills.

Corporate Governance Report

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, 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 particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of such Board committees are available on GEM's website and the Company's website. The Board committees are provided with sufficient resource to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

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

Remuneration Committee

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

The Remuneration Committee considers and recommends to our Board the remuneration and other benefits paid by us to 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 Review Period, no meeting of the Remuneration Committee was held since the Shares first became listed on GEM of the Stock Exchange on 8 October 2015. Subsequent to the end of the Review Period and up to the date on which this annual report is approved, a meeting of the Remuneration Committee was held to review the performance and remuneration packages of individual Directors and senior management.

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

Nomination Committee

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

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

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

Corporate Governance Report

During the Review Period, no meeting of the Nomination Committee was held since the Shares first became listed on GEM of the Stock Exchange on 8 October 2015. Subsequent to the end of the Review Period and up to the date on which this annual report is approved, a meeting of the Nomination Committee was held to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the board diversity policy, 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 (<i>Chairman</i>)	1/1
Ms. Wong Pui Man	1/1
Mr. Wong Yau Sing	1/1

Audit Committee

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

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

From the Listing Date and up to the date of annual report, two meetings of the Audit Committee were held to review the quarterly 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 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 (<i>Chairman</i>)	2/2
Mr. Wong Cho Kei Bonnie	2/2
Ms. Wong Pui Man	2/2

The Group's unaudited quarterly results and audited annual results published for the year ended 31 December 2015 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Risk Management Committee

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

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

During the Review Period, no meeting of the Risk Management Committee was held since the Shares first became listed on GEM of the Stock Exchange on 8 October 2015. However, subsequent to the end of the Review Period and up to the date on which this annual report is approved, a meeting of the Risk Management Committee was 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 (<i>Chairman</i>)	1/1
Mr. Wong Cho Kei Bonnie	1/1
Ms. Wong Pui Man	1/1

Corporate Governance Function

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code which included to develop and review the Company's policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements and to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Chairman and the Chief Executive Officer

During the Review Period, Mr. Chong King Fan has been acting as the chairman of the Board since 9 June 2015 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 since 9 June 2015 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.

Corporate Governance Report

Company Secretary

Mr. Chong Kam Fung is the company secretary of the Company (“Company Secretary”). For details of his biography, please refer to section headed “Directors and Senior Management” in this report. He also serves as the secretary of the Audit Committee, the Nomination Committee, the Remuneration Committee and Risk Management Committee. He 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 2015, the Company Secretary has undertaken not less than 15 hours of relevant professional training required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

Auditors’ and Auditors’ Remuneration

Appointment of Auditors

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

Directors’ and Auditors’ Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. The Directors also ensure the timely publication of the consolidated financial statements of the Group.

The statements of the external auditors of the Group, DTT, about their reporting responsibilities on the consolidated 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 2015, the fees paid/payable to the auditors in respect of the audit and non-audit services are as follows:

Services	HK\$’000
Audit service (note 1)	1,000
Non-audit services (note 2)	3,281

Note 1: Including the audit of the Group’s consolidated financial statements for the year ended 31 December 2015

Note 2: The Group has engaged the auditors to provide non-audit services which include the professional service fee in relation to the listing of the Company’s share on the Stock Exchange and review of financial information in 3rd Quarterly Report of the Group

Internal Control

The Board has overall responsibility for the establishment, maintenance and review of the Group's internal control system to safeguard shareholders' investments and the assets of the Group. The internal control system of the Group aims to facilitate effective and efficient operation which in turn minimises the risks to which the Group is exposed. The system can only provide reasonable but not absolute assurance against misstatement or losses.

The Board has conducted a review of the implemented system and procedures, covering financial, operational and legal compliance controls and risk management functions. The Directors consider that the Group has implemented appropriate procedures safeguarding the Group's assets against unauthorised use or misappropriation, maintaining proper accounting records, execution with appropriate authority and compliance of the relevant laws and regulations.

Changes in Constitutional Documents

From the date of the Listing to the year ended 31 December 2015, there was no significant change in the constitutional documents of the Company.

Shareholders' Rights and Investor Relations

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 Directors host the annual general meeting each year to meet the Shareholders and answer their enquiries. The Company also 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.

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

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 and 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.

Corporate Governance Report

Investor Relations

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 put forward proposals at Shareholders' meetings

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

Non-Competition Undertakings by Controlling Shareholders

Each of the Controlling Shareholders has made an annual declaration to the Company that during the Review Period, 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.

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)

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 45 to 97, which comprise the consolidated statement of financial position as at 31 December 2015, 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 a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independent Auditor's Report

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with HKFRSs and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 March 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Continuing operation			
Revenue	6	57,266	53,973
Cost of inventory sold		(352)	(143)
Other income	7	389	2,102
Other gains and losses	8	(762)	2,060
Gain on disposal of property, plant and equipment	9	53,546	—
Staff costs and related expenses		(38,237)	(30,890)
Other expenses		(11,515)	(7,972)
Listing expenses		(15,235)	—
Finance costs	10	(914)	(1,031)
Profit before tax from continuing operation		44,186	18,099
Income tax expense	11	(1,617)	(3,402)
Profit for the year from continuing operation	13	42,569	14,697
Discontinued operation			
Profit for the year from discontinued operation	12	2,793	3,770
Profit for the year		45,362	18,467
Other comprehensive expense			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		(12)	(6)
Other comprehensive expense for the year		(12)	(6)
Total comprehensive income for the year		45,350	18,461
Earnings per share			
From continuing and discontinued operations			
Basic (HK cents)	16	2.91	1.47
From continuing operation			
Basic (HK cents)	16	2.73	1.17

Consolidated Statement of Financial Position

At 31 December 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	604	29,200
Investment properties	18	—	47,700
Rental deposits paid	20	470	220
Deferred tax assets	27	305	—
		1,379	77,120
CURRENT ASSETS			
Inventories	19	34	—
Trade and other receivables	20	5,652	2,040
Amounts due from related parties	21(a)	—	8,484
Loan to a related party	21(b)	—	13,187
Tax recoverable		1,154	227
Held for trading investments	22	—	6,811
Bank balances and cash	23	104,311	11,865
		111,151	42,614
CURRENT LIABILITIES			
Other payables and accruals	24	6,800	6,146
Amounts due to related parties	21(c)	—	5,394
Tax payable		—	15
Deposits and fees received in advance	25	13,361	15,423
Bank borrowings — due within one year	26	10,137	45,908
		30,298	72,886
NET CURRENT ASSETS (LIABILITIES)		80,853	(30,272)
TOTAL ASSETS LESS CURRENT LIABILITIES		82,232	46,848
NON-CURRENT LIABILITIES			
Deposits and fees received in advance	25	868	1,036
Deferred tax liabilities	27	—	378
Rental deposits received	24	—	140
Provision for long service payments		280	258
		1,148	1,812
NET ASSETS		81,084	45,036
CAPITAL AND RESERVES			
Share capital	28	20,000	1,010
Reserves		61,084	44,026
		81,084	45,036

The consolidated financial statements on pages 45 to 97 were approved and authorised for issue by the Board of Directors on 15 March 2016 and are signed on its behalf by:

CHONG KING FAN
CHAIRMAN

CHONG SIU PUI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Share capital	Share premium	Capital reserve	Translation reserve	Accumulated profits (losses)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014	1,000	—	—	—	47,165	48,165
Profit for the year	—	—	—	—	18,467	18,467
Other comprehensive expense for the year						
Exchange difference arising on translation of a foreign operation	—	—	—	(6)	—	(6)
Total comprehensive income for the year	—	—	—	(6)	18,467	18,461
Issue of share capital by a subsidiary	10	—	—	—	—	10
Dividends declared (note 15)	—	—	—	—	(21,600)	(21,600)
At 31 December 2014	1,010	—	—	(6)	44,032	45,036
Profit for the year	—	—	—	—	45,362	45,362
Other comprehensive expense for the year						
Exchange difference arising on translation of a foreign operation	—	—	—	(12)	—	(12)
Total comprehensive income for the year	—	—	—	(12)	45,362	45,330
Issue of share capital by a subsidiary	190	—	—	—	—	190
Effects of group reorganisation (i)	(1,200)	—	995	—	—	(205)
Deemed capital contribution (ii)	—	—	3,102	—	—	3,102
Issue of shares (note 28)	5,000	95,000	—	—	—	100,000
Transaction costs attributable to issue of shares	—	(7,565)	—	—	—	(7,565)
Capitalisation issue (note 28)	15,000	(15,000)	—	—	—	—
Dividends declared (note 15)	—	—	—	—	(104,824)	(104,824)
At 31 December 2015	20,000	72,435	4,097	(18)	(15,430)	81,084

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	2015 HK\$'000	2014 HK\$'000
OPERATING ACTIVITIES		
Profit for the year	45,362	18,467
Adjustments for:		
Income tax expenses	1,669	3,574
Gain on disposal of property, plant and equipment	(53,546)	—
Depreciation of property, plant and equipment	690	1,762
Unrealised gains on change in fair value of held for trading investments	—	(2,079)
Increase in fair value of investment properties	(2,530)	(3,220)
Financial guarantee income	—	(470)
Dividend income	—	(49)
Bank interest income	(20)	(1)
Interest income from related parties	(158)	(770)
Interest expenses	1,070	2,006
Operating cash flows before movements in working capital	(7,463)	19,220
(Increase) decrease in inventories	(34)	3
Increase in trade and other receivables and rental deposits paid	(3,868)	(95)
Decrease in held for trading investments	6,811	—
Increase (decrease) in other payable and accruals and rental deposits received	1,166	(1,566)
Increase (decrease) in provision for long service payments	22	(112)
(Decrease) increase in deposits and fees received in advance	(2,230)	1,433
Cash (used in) generated from operations	(5,596)	18,883
Income taxes paid	(3,321)	(4,687)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	(8,917)	14,196
INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	28,280	—
Proceeds from disposal of business	18,316	—
Purchase of property, plant and equipment	(448)	(225)
Proceeds from disposal of investment properties	6,400	48,800
Loan to a related party	—	(21,420)
Repayment of loan by a related party	13,187	8,233
Advances to related parties	(165)	(1,350)
Repayments by related parties	22,124	10,366
Dividend income	—	49
Bank interest income	20	1
Interest income from related parties	158	770
NET CASH FROM INVESTING ACTIVITIES	87,872	45,224

Consolidated Statement of Cash Flows

For the year ended 31 December 2015 (continued)

	2015	2014
	HK\$'000	HK\$'000
FINANCING ACTIVITIES		
Interest paid	(1,070)	(2,006)
Dividends paid	(46,010)	(21,600)
Payment of acquisition of subsidiaries under reorganisation	(205)	—
Capital contribution from shareholders	—	10
Proceeds from issue of shares	100,000	—
Expenses on issue of shares	(7,565)	—
Bank borrowings raised	20,000	2,721
Repayment of bank borrowings	(48,443)	(45,686)
Advances from related parties	358	3,849
Repayments to related parties	(3,562)	(2,857)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	13,503	(65,569)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	92,458	(6,149)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	11,865	18,020
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(12)	(6)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	104,311	11,865

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

1. General

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

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

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

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

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

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

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

- (1) On 10 March 2015, All Divine Investments Limited ("All Divine") and Alpha Heritage were incorporated as limited liability company in the British Virgin Islands ("BVI").
- (2) On 11 March 2015, Able Future Investments Limited ("Able Future") and Apex Ace were incorporated as limited liability company in the BVI.
- (3) On 25 March 2015, ten shares with a nominal value of US\$1.00 per share of Able Future were allotted and issued as fully paid to the Controlling Shareholders. On the same day, Able Future subscribed for one share of All Divine at the subscription price of US\$1.00. Further, All Divine subscribed for one share of Alpha Heritage at the subscription price of US\$1.00 and Alpha Heritage subscribed for one share of Apex Ace at the subscription price of US\$1.00.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

- (4) On 2 April 2015, the Controlling Shareholders transferred the entire equity interest in CloudBacko BVI to Apex Ace at the consideration of US\$21,000 (equivalent to HK\$166,000).
- (5) On 9 April 2015, Ahsay HK disposed of the entire equity interest in Million Victory to Able Future at the consideration of HK\$2,664,000. Able Future is not a company comprising the Group.
- (6) On 10 April 2015, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital comprised of 38,000,000 shares at par value of HK\$0.01 per share. On the same date, the Company allotted and issued one share to a third party initial subscriber which then transferred the share to All Divine.
- (7) On 27 April 2015, the Controlling Shareholders transferred the entire equity interest in CloudBacko HK to Apex Ace at the consideration of HK\$39,000.
- (8) On 5 May 2015, the Controlling Shareholders transferred the entire equity interest in Ahsay HK to Alpha Heritage in exchange for allotment and issue of one share of Alpha Heritage to All Divine.
- (9) On 1 June 2015, All Divine transferred the entire equity interest in Alpha Heritage to the Company in exchange for allotment and issue of one share of the Company to All Divine.
- (10) On 8 June 2015, Alpha Heritage transferred the entire equity interest in Apex Ace to the Company by way of distribution in specie.

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

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the years ended 31 December 2015 and 2014 include the results of operations and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the periods, or since their respective dates of incorporation when there is a shorter period, except for Million Victory which had been accounted for as a subsidiary since 1 January 2014 until the completion of its disposal on 9 April 2015. The consolidated statement of financial position of the Group as at 31 December 2014 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at 31 December 2014, taking into account the respective dates of incorporation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

The Group has not early applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ¹
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ³
Amendments to HKAS 1	Disclosure Initiative ³
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ³
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ³
Amendments to HKAS 27	Equity Method in Separate Financial Statements ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle ³

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

HKFRS 9 *Financial Instruments* — continued

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are generally measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company (the "Directors") anticipate that the adoption of HKFRS 9 in the future may have an impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

The Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

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

4. Significant Accounting Policies

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

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

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

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

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

The principal accounting policies are set out below.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Basis of consolidation — continued

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

Revenue recognition

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

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

Software license sales and sales of hardware devices

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

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

Provision of software upgrades and maintenance services and other services

Service revenue is recognised when services are provided.

Multiple element arrangements

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Revenue recognition — continued

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. 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 recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. 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 before tax” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Property, plant and equipment

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

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

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

Investment properties

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Internally-generated intangible assets — research and development expenditure

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

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

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

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

Impairment on tangible assets

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Provisions

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial assets — continued

Impairment of financial assets — continued

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

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

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

Derecognition of financial assets

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

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

Financial liability and equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

4. Significant Accounting Policies — continued

Financial instruments — continued

Financial liability and equity instruments — continued

Financial liabilities

Financial liabilities, including amounts due to related parties, bank borrowings and rental deposits received are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition of financial liabilities

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

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors are 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty — continued

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the Directors 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.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the Directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale for the years ended 31 December 2014.

Therefore, in measuring the Group's deferred taxation on investment properties, the Directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties in Hong Kong as at 31 December 2014 as the Group is not subject to any income taxes on disposal of its investment properties.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and impairment assessment of property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and identified impairment losses. The estimation of their useful lives impacts the level of annual depreciation expense recorded. Property, plant and equipment are evaluated for possible impairment on a specific asset basis or in groups of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each asset or group of assets. For any instance where this evaluation process indicates impairment, the appropriate assets' carrying values would be written down to the recoverable amounts and the amount of the impairment loss would be charged to profit or loss. The carrying amount of property, plant and equipment as at 31 December 2015 and 2014 was HK\$604,000 and HK\$29,200,000, respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

5. Critical Accounting Judgement and Key Sources of Estimation Uncertainty — continued

Key sources of estimation uncertainty — continued

Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value on recurring basis.

In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation.

The Group uses valuation techniques that include inputs that are non-observable market data to estimate the fair value of certain types of financial instruments. Notes 18 and 30 provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair values of various assets.

6. Revenue and Segment Information

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

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

Backup software service segment	—	Sales of software license rights and hardware devices, and the provision of software related upgrades, maintenance and other services
Properties investment segment	—	Lease of properties

Properties investment segment was disposed during the year. The segment information reported below does not include any amounts for this discontinued operation, which is described in more details in note 12. No revenue was contributed from this discontinued operation during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. Revenue and Segment Information — continued

Segment revenue and result

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

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

	2015	2014
	HK\$'000	HK\$'000
Segment revenue — external:		
Software license sales and leasing	33,803	30,579
Software upgrades and maintenance services fee	21,612	21,945
Other services fee	1,377	1,277
Sale of hardware devices	474	172
Total revenue from continuing operation	57,266	53,973
Segment results	6,248	13,969
Other income	389	2,102
Other gains and losses	(762)	2,060
Gain on disposal of property, plant and equipment	53,546	—
Listing expenses	(15,235)	—
Interest on loans from related parties	—	(32)
Profit before tax from continuing operation	44,186	18,099

Segment assets and liabilities

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

	2015	2014
	HK\$'000	HK\$'000
Reportable segment assets		
Continuing operation:		
Backup software service	7,065	31,450
Reconciliation of reportable segment total to group total:		
Segment assets	7,065	31,450
Assets held under properties investment business	—	47,710
Unallocated assets:		
Bank balances and cash	104,311	11,865
Tax recoverable	1,154	227
Held for trading investments	—	6,811
Amounts due from related parties	—	8,484
Loan to a related party	—	13,187
Consolidated assets	112,530	119,734

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

6. Revenue and Segment Information — continued

Segment assets and liabilities — continued

	2015	2014
	HK\$'000	HK\$'000
Reportable segment liabilities		
Continuing operation:		
Backup software service	31,446	39,117
Reconciliation of reportable segment total to group total:		
Segment liabilities	31,446	39,117
Liabilities associated with properties investment business	—	30,172
Unallocated liabilities:		
Tax payable	—	15
Amounts due to related parties	—	5,394
Consolidated liabilities	31,446	74,698

Non-current assets by geographical location

The Group's operations are substantially based in Hong Kong and almost all of its non-current assets as at 31 December 2015 and 2014 are located in Hong Kong, the principal place of business of the Group. Therefore, no further analysis of geographical information is presented.

Revenue by geographical location

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

	2015	2014
	HK\$'000	HK\$'000
United States	11,555	10,498
Others (Note)	45,711	43,475
	57,266	53,973

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

7. Other Income

	2015	2014
	HK\$'000	HK\$'000
Continuing operation:		
Management income from related parties	—	812
Interest income from related parties	158	770
Dividend income	—	49
Bank interest income	20	1
Financial guarantee income	—	470
Recharge of expenses	211	—
	389	2,102

8. Other Gains and Losses

	2015	2014
	HK\$'000	HK\$'000
Continuing operation:		
(Decrease) increase in fair value of held for trading investments	(757)	2,079
Foreign exchange losses, net	(5)	(19)
	(762)	2,060

9. Gain on Disposal of Property, Plant and Equipment

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. Finance Costs

	2015	2014
	HK\$'000	HK\$'000
Continuing operation:		
Interests on:		
Bank loans wholly repayable		
— within five years	536	606
— over five years	378	391
Interest on advances from related parties wholly repayable within five years	—	32
Interest on bank overdraft wholly repayable within five years	—	2
	914	1,031

11. Income Tax Expense

	2015	2014
	HK\$'000	HK\$'000
Continuing operation:		
Current tax:		
— Hong Kong Profits Tax	2,330	3,423
Overprovision in prior year:		
— Hong Kong Profits Tax	(30)	(18)
	2,300	3,405
Deferred tax (Note 27)	(683)	(3)
	1,617	3,402

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

11. Income Tax Expense — continued

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

	2015	2014
	HK\$'000	HK\$'000
Profit before tax	44,186	18,099
Tax at the Hong Kong Profits Tax rate of 16.5%	7,291	2,986
Tax effect of expenses not deductible for tax purpose	2,642	139
Tax effect of income not taxable for tax purposes	(8,394)	(31)
Tax effect of tax losses not recognised	182	257
Overprovision in prior years	(30)	(18)
Others	(74)	69
Tax expense for the year	1,617	3,402

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Analysis of disposal of a subsidiary

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

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

Analysis of consideration regarding disposal of properties investment business

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Analysis of profit for the year from discontinued operation

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

	2015	2014
	HK\$'000	HK\$'000
Profit for the year from discontinued operation		
Rental income	580	2,486
Change in fair value of investment properties	2,530	3,220
Administrative expenses	(109)	(789)
Interest on bank borrowings	(156)	(975)
Profit before tax	2,845	3,942
Income tax expenses	(52)	(172)
Profit for the year from discontinued operation	2,793	3,770
Profit for the year from discontinued operation includes the following		
Auditor's remuneration	3	12
Minimum lease receipts under operating leases during the year in respect of the Group's investment properties	580	2,486
Cash flows from discontinued operation		
Net cash flows from (used in)		
operating activities	981	1,573
investing activities	6,400	48,800
financing activities	(7,179)	(1,290)
Net cash inflow	202	49,083

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

13. Profit for the Year from Continuing Operation

	2015 HK\$'000	2014 HK\$'000
Profit for the year from continuing operation has been arrived at after charging (crediting):		
Directors' emoluments (note 14)	8,872	9,842
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonus	27,052	20,053
— Retirement benefits scheme contribution, excluding directors	844	711
Long-term employee benefit expenses	290	(74)
Total directors and staff costs	37,058	30,532
Staff related expenses	1,179	358
Staff costs and related expenses	38,237	30,890
Auditor's remuneration	1,250	76
Depreciation of property, plant and equipment	690	1,762

Note: The Group's research and development expenditure incurred and recognised as expense during the year are mainly employee related costs. In the opinion of the Directors, the employees who are engaged in research and development activities are also responsible for provision of maintenance services to the existing customers of the Group in daily operation. During the year, the total staff costs attributable to these employees who performed the above functions were approximately HK\$11,658,000 (2014: HK\$8,914,000). Given there is no reliable basis to allocate these staff costs directly attributable to research and development activities, any arbitrary allocation of such expense for disclosure of research and development expense is considered misleading.

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

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

Directors' and chief executive's emoluments

	2015 HK\$'000	2014 HK\$'000
Directors' fee	525	160
Salaries, allowances and benefits in kind	6,850	7,380
Performance and other bonus	1,450	2,255
Retirement benefits scheme contribution	47	47
	8,872	9,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Directors' and chief executive's emoluments — continued

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Directors' and chief executive's emoluments — continued

	For the year ended 31 December 2014				Total HK\$'000
	Directors' fee HK\$'000	Salaries' allowances and benefits in kind HK\$'000	Performance and other bonus HK\$'000	Retirement benefits scheme contribution HK\$'000	
Chong King Fan (Note i)	—	1,800	56	—	1,856
Chong Li Sau Fong (Note v)	—	—	—	—	—
Chong Siu Pui (Note i)	—	2,580	1,052	17	3,649
Chong Siu Ning (Note i)	—	2,640	1,057	17	3,714
Chong Siu Fan (Note iii)	160	360	90	13	623
	160	7,380	2,255	47	9,842

Notes:

- i) Mr. Chong King Fan, Mr. Chong Siu Pui and Mr. Chong Siu Ning were appointed as executive directors of the Company on 10 April 2015. Their emoluments for the year ended 31 December 2014 represented their services as directors of Ahsay HK.
- ii) Mr. Chong Siu Pui is also the chief executive of the Company and his emoluments disclosed above included those services rendered by him as the chief executive.
- iii) Ms. Chong Siu Fan was appointed as non-executive director of the Company on 9 June 2015. Her emolument for the year ended 31 December 2014 represented her service as a director of Ahsay HK.
- iv) Mr. Wong Cho Kei, Bonnie, Ms. Wong Pui Man and Mr. Wong Yau Sing were appointed as independent non-executive directors of the Company on 4 September 2015.
- v) The emolument for Mrs. Chong Li Sau Fong for the year ended 31 December 2014 represented her service as a director of Ahsay HK.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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

Employees' remuneration

The five highest paid individuals of the Group with the highest emoluments include two directors for the years ended 31 December 2015 (2014: three), details of their emoluments are set out above. The remunerations for the remaining three individuals for the year ended 31 December 2015 (2014: two individuals) are as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits in kind	2,959	1,956
Performance and other bonus	2,943	376
Retirement benefits scheme contribution	51	34
	5,953	2,366

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

	No. of employees	
	2015	2014
Nil to HK\$1,000,000	—	1
HK\$1,000,001 to HK\$1,500,000	—	1
HK\$1,500,001 to HK\$2,000,000	2	—
HK\$2,000,001 to HK\$2,500,000	1	—
	3	2

For the year ended 31 December 2014, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

15. Dividends

	2015 HK\$'000	2014 HK\$'000
Dividends declared and paid/payable to shareholders	104,824	21,600

Prior to the Group Reorganisation, Ahsay HK declared and paid interim dividends in aggregate of HK\$46,010,000 during the year (2014: HK\$21,600,000) to the Controlling Shareholders. Afterward, the Company declared dividends of HK\$58,814,000 in form of distribution in specie of receivables from the related parties under common control of the Controlling Shareholders be payable to its holding company as set out in notes 9 and 12.

The Directors did not recommend a payment of final dividend for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

16. Earnings Per Share

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

	2015 HK\$'000	2014 HK\$'000
Earnings		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to the owners of the Company	45,362	18,467
Less: Profit for the year from discontinued operation	(2,793)	(3,770)
Profit for the purpose of basic earnings per share from continuing operation	42,569	14,697

	2015 '000	2014 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,556,507	1,258,872

Basic earnings per share for the discontinued operation for current year is 0.18 HK cent per share (2014: 0.30 HK cent per share).

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. Property, Plant And Equipment

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Total HK\$'000
COST				
At 1 January 2014	33,451	2,865	4,462	40,778
Additions	—	40	185	225
Written off	—	—	(37)	(37)
At 31 December 2014	33,451	2,905	4,610	40,966
Additions	—	—	448	448
Written off	—	—	(102)	(102)
Disposal (note 9)	(33,451)	—	—	(33,451)
At 31 December 2015	—	2,905	4,956	7,861
ACCUMULATED DEPRECIATION				
At 1 January 2014	3,841	2,192	4,008	10,041
Provided for the year	886	579	297	1,762
Written off	—	—	(37)	(37)
At 31 December 2014	4,727	2,771	4,268	11,766
Provided for the period	370	106	214	690
Written off	—	—	(102)	(102)
Eliminated on disposal (note 9)	(5,097)	—	—	(5,097)
At 31 December 2015	—	2,877	4,380	7,257
CARRYING VALUES				
At 31 December 2015	—	28	576	604
At 31 December 2014	28,724	134	342	29,200

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

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

The Group's leasehold land and buildings are held under medium-term lease in Hong Kong and had been pledged to secure the bank borrowings granted to the Group as at 31 December 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

18. Investment Properties

	2015 HK\$'000	2014 HK\$'000
Balance at the beginning of the year	47,700	93,280
Disposal	(50,230)	(48,800)
Change in fair value of investment properties (included in discontinued operation) (note 12)	2,530	3,220
	—	47,700

The Group's property interests held under operating leases for capital appreciation and to earn rental income are measured using the fair value model and are classified and accounted for as investment properties.

The Group's investment properties are held under medium-term lease in Hong Kong and were pledged to secure the bank borrowings granted to the Group as at 31 December 2014.

The fair values of the Group's investment properties at 31 December 2014 have been arrived at on the basis of a valuation carried out on respective dates by Jones Lang LaSalle. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2014 are as follows:

	Level 3	
	2015 HK\$'000	2014 HK\$'000
Fair value:		
Industrial units located in Hong Kong	—	47,700

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Investment properties	Fair value as at		Fair value hierarchy	Valuation technique	Significant unobservable input(s)	Sensitivity
	31 December 2015	31 December 2014				
Industrial units located in Hong Kong	N/A	HK\$47,700,000	Level 3	Market Comparable Approach The key input is price per square feet	Price per square feet, based on recent market transactions for comparable properties which ranged from HK\$1,872 to HK\$5,784 per square feet	An increase in the price per square feet used would result in a same percentage an increase in fair value measurement of the property, and vice versa.

There were no transfers into or out of Level 3 during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. Inventories

	2015 HK\$'000	2014 HK\$'000
Finished goods	34	—

20. Trade and Other Receivables/Rental deposits paid

	2015 HK\$'000	2014 HK\$'000
Current assets		
Trade receivables — aged within 30 days	4,630	1,901
Rental and utilities deposits	112	127
Prepaid operating expenses and other receivables	910	12
Total	5,652	2,040
Non-current asset		
Rental deposits paid	470	220

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

21. Amounts due from (to) Related Parties/Loan to a Related Party/Advance from a Related Party

(a) Amounts due from related parties

Amounts due from related parties are as follows:

Related party	As at 31 December		As at	Maximum amounts outstanding during the year	
	2015	2014	1 January	As at 31 December	
	HK\$'000	HK\$'000	2014	2015	2014
			HK\$'000	HK\$'000	HK\$'000
Ahsay Corporation Limited (Note 1)	—	—	9,300	—	9,300
Sau King Investments Limited (Note 2)	—	8,354	8,200	8,354	8,354
Million Trader Enterprises (Hong Kong) Limited (Note 3)	—	130	—	130	130
	—	8,484	17,500		

Notes:

- The amount is non-trade nature, unsecured, carrying interest rate at 3.5% per annum and repayable on demand.
- The amount is non-trade nature, unsecured, carrying interest rate at 2.5% per annum and repayable on demand.
- The amount is non-trade nature, unsecured, interest free and repayable on demand.

Ahsay Corporation Limited, Sau King Investments Limited and Million Trader Enterprises (Hong Kong) Limited are under common control of the Controlling Shareholders, and hence, they are related parties of the Group.

(b) Loan to a related party

During the year ended 31 December 2014, Ahsay HK advanced HK\$13,187,000 to Million Trader Enterprise (Hong Kong) Limited. The advance is unsecured, carrying interest rate at 3.5% per annum and repayable on demand. The balance was settled in full during the year ended 31 December 2015.

(c) Amounts due to related parties

The amounts were advanced from the Controlling Shareholders and were non-trade nature, unsecured, interest-free and repayable on demand. The amounts were fully repaid during the year ended 31 December 2015.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

22. Held for Trading Investments

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong	—	6,811

23. Bank Balances and Cash

Bank balances carry interest at market rates at 0.01% per annum as at 31 December 2015 and 2014.

24. Other payables and Accruals/Rental deposits received

	2015 HK\$'000	2014 HK\$'000
Current liabilities		
Rental deposits received	—	166
Rental income receipts in advance	—	88
Accrued staff costs and related expenses	4,810	5,308
Accrued operating expenses	1,990	584
Total	6,800	6,146
Non-current liabilities		
Rental deposits received	—	140

25. Deposits and Fees Received in Advance

	2015 HK\$'000	2014 HK\$'000
Trade deposits from customers	1,008	2,234
Software upgrades and maintenance services fees received in advance	13,096	13,849
Other service fees received in advance	125	376
	14,229	16,459
Less: non-current portion	(868)	(1,036)
Current portion	13,361	15,423

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

26. Bank Borrowings

	2015 HK\$'000	2014 HK\$'000
Bank borrowings	10,137	45,908
Secured	—	45,908
Unsecured	10,137	—
	10,137	45,908
Bank borrowings at variable rate	10,137	45,908
Carrying amount repayable (according to scheduled repayment term):		
— Within one year	1,413	5,272
— More than one year, but not exceeding two years	1,464	5,378
— More than two years, but not more than five years	4,711	15,060
— More than five years	2,549	20,198
	10,137	45,908
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities)	10,137	45,908

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

	2015	2014
Effective interest rate (per annum):		
Variable-rate borrowings	3.50%	2.50% to 3.25%

As at 31 December 2014, the Group's borrowings were secured by the Group's leasehold land and buildings and investment properties of aggregated amount approximately HK\$76,424,000.

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

	2015 HK\$'000	2014 HK\$'000
Expiry within one year	12,800	29,861

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

27. Deferred Tax Assets/Liabilities

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

	Unrealised fair value gains on held for trading investments HK\$'000	Accelerated (decelerated) tax depreciation HK\$'000	Total HK\$'000
At 1 January 2014	—	328	328
Charge (credit) to profit or loss	397	(347)	50
At 31 December 2014	397	(19)	378
Credit to profit or loss	(397)	(303)	(700)
Derecognised upon disposal of discontinued Operation (note 12)	—	17	17
At 31 December 2015	—	(305)	(305)

As at 31 December 2015, the Group had unused tax losses of approximately HK\$2,679,000, (2014: HK\$1,577,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses during both years due to the unpredictability of future profit streams. The tax losses arising from a PRC subsidiary of HK\$87,000 as at 31 December 2015 (2014: HK\$21,000) can be carried forward for five years from the year of origination. Other tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

28. Share Capital

Share capital of the Group as at 31 December 2014 represented the combined issued share capital of Ahsay HK, CloudBacko HK and CloudBacko BVI. The combined share capital was transferred to capital reserve upon completion of the Group Reorganisation.

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

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

Notes:

- i) On 8 October 2015, the Company placed 500,000,000 new shares at HK\$0.20 per share for a total gross proceeds of approximately HK\$100,000,000.
- ii) On 8 October 2015, the Company allotted and issued a total of 1,499,999,998 ordinary shares of HK\$0.01 each, credited as fully paid at par, by way of capitalisation of the sum of HK\$15,000,000 (the "Capitalisation") standing to the credit of the share premium account of the Company by applying such sum towards the paying up in full at par a total of 1,499,999,998 ordinary shares for allotment and issue to All Divine.

29. Capital Risk Management

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

The capital structure of the Group consists of net debt, which includes amounts due to related parties and bank borrowings disclosed in notes 21(c) and 26, respectively, net of cash and cash equivalents and equity.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. Financial Instruments

a. Categories of financial instruments

	2015 HK\$'000	2014 HK\$'000
Continuing operation:		
<i>Financial assets</i>		
Loans and receivables (including cash and cash equivalent)	109,523	35,784
Held for trading investments	—	6,811
	109,523	42,595
<i>Financial liabilities</i>		
Amortised cost	10,137	51,608

b. Financial risk management objectives and policies

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

Market risks

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

(i) *Interest rate risk management*

The Group is exposed to fair value interest rate risk in relation to fixed-rate amounts due from related parties (note 21(a)) and loan to a related party (note 21(b)). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate risk exposure and will consider hedging significant interest rate risk should the need arise.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings, bank overdrafts and bank balances.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. Financial Instruments — continued

b. Financial risk management objectives and policies — continued

Market risks — continued

(i) *Interest rate risk management — continued*

Sensitivity analysis

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

If interest rates had been 50 basis points higher/lower for variable rate bank borrowings, with all other variables held constant, the Group's post-tax profit from continuing operation for the year would decrease/increase by approximately HK\$42,000 (2014: decrease/increase by approximately HK\$192,000).

If interest rates had been 50 basis points higher/lower for variable rate bank balances, with all other variables held constant, the Group's post-tax profit from continuing operation for the year would increase/decrease by approximately HK\$435,000 (2014: increase/decrease by approximately HK\$49,000).

(ii) *Foreign currency risk*

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

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

	2015		2014	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
US\$	585	—	71	1,187

Sensitivity analysis

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. Financial Instruments — continued

b. Financial risk management objectives and policies — continued

Market risks — continued

(iii) Other price risk

The Group is exposed to equity price risk mainly through its investment in listed equity securities. The Directors manage this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities operating in gambling industry sector quoted in The Stock Exchange of Hong Kong Limited.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the respective listed equity securities had been 10% higher/lower, the Group's post-tax profit from continuing operation for the year ended would increase/decrease by approximately HK\$ nil (2014: increase/decrease by approximately HK\$569,000).

Liquidity risk

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

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

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
As at 31 December 2015							
Non-derivative financial liabilities							
Bank borrowings	3.50	10,137	—	—	—	10,137	10,137
As at 31 December 2014							
Non-derivative financial liabilities							
Rental deposits received	—	306	—	—	—	306	306
Amounts due to related parties	—	5,394	—	—	—	5,394	5,394
Bank borrowings	2.74	45,908	—	—	—	45,908	45,908
		51,608	—	—	—	51,608	51,608

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. Financial Instruments — continued

b. Financial risk management objectives and policies — continued

Liquidity risk — continued

Bank loans with a repayment on demand clause are included in the “repayable on demand or less than 1 year” time band in the above maturity analysis. As the end of the reporting period, the aggregate principal amounts of these bank borrowings amounted to HK\$10,137,000 (2014: HK\$45,908,000). Taking into account the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

The following table details the Group’s aggregate principal and interest cash outflows for bank borrowings with a repayment on demand clause. To the extent that interest flows are variable rate, the undiscounted amount is derived from weighted average interest rate at the end of reporting period.

	Weighted average effective interest rate %	Repayable on demand or less than 1 year HK\$'000	1 to 2 years HK\$'000	2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Bank borrowings with repayment on demand clause							
As at 31 December 2015	3.50	1,746	1,746	5,237	2,620	11,349	10,137
As at 31 December 2014	2.74	6,461	6,425	17,316	22,156	52,358	45,908

Credit risk

The Group’s maximum exposure to credit risk in the event of the counterparties’ failure to perform their obligations at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statements of financial position. The Group’s credit risk is primarily attributable to its trade receivables, amounts due from related parties, loan to a related party and bank balances. The Group has concentration of credit risk on the amounts due from related parties and loan to a related party, with details set out in note 21(a) and 21(b). In order to minimise the credit risk, the Directors have delegated a team responsible for determination of credit limits and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of each reporting period to ensure that adequate allowance are made for irrecoverable amounts. In this regard, the Directors consider that the Group’s credit risk is significantly reduced. For the amounts due from related parties and loan to a related party, the Directors have periodically monitored the financial position of the related parties to ensure the advances are recoverable. All the outstanding balances were fully settled during the year.

As at 31 December 2015 and 2014, there was no single customer contributing over 10% of the total trade receivables of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

30. Financial Instruments — continued

b. Financial risk management objectives and policies — continued

Credit risk — continued

The Group has concentration of credit risk as 68% (31 December 2014: 84%) of the total cash and bank balances was held by the Group's largest bank which was located in Hong Kong. The credit risk on bank balances are limited because the counterparties are reputable banks or a financial institution with high credit ratings assigned by international credit-rating agencies.

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of certain financial assets.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	31 December 2015	31 December 2014		
Held for trading investments	N/A	Listed equity securities in Hong Kong: HK\$6,811,000	Level 1	Quoted bid prices on an active market

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The fair values of financial assets and financial liabilities measured at amortised cost are determined in accordance with generally accepted pricing models based on discounted cash flow methodology.

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

31. Commitments

Operating commitments

The Group as lessee

	2015 HK\$'000	2014 HK\$'000
Minimum lease payments made under operating leases during the year in respect of premises	2,006	1,320

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:

	2015 HK\$'000	2014 HK\$'000
Within one year	2,817	1,320
In the second to third year inclusive	2,818	330
	5,635	1,650

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

The Group as lessor

As at 31 December 2014, the Group had commitments for future minimum lease receipts under non-cancellable operating leases in respect of the Group's investment properties under properties investment business classified as discontinued operation (note 12) which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	—	1,457
In the second to fifth year inclusive	—	663
	—	2,120

Operating lease payments represent rental receivables by the Group for its investment properties. Leases are negotiated and rentals are fixed for one to five years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

32. Retirement Benefit Scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The maximum mandatory contribution per employee is HK\$1,250 per month before 1 June 2014, and increased to HK\$1,500 per month effective from 1 June 2014. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the year, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were approximately HK\$891,000 (2014: HK\$758,000).

33. Pledge of Assets

As at 31 December 2014, assets pledged to banks to secure banking facilities and borrowings granted to the Group were as follows:

	2015 HK\$'000	2014 HK\$'000
Leasehold land and buildings	—	28,724
Investment properties	—	47,700
	—	76,424

34. Major Non-Cash Transaction

As at 31 December 2014, there was an advance from the Controlling Shareholders amounting of HK\$2,000,000 which was then waived by the Controlling Shareholders in 2015 and was recorded in capital reserve as a deemed capital contribution.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

35. Related Party Transactions

(a) Transactions with related parties:

Apart from details of the balances with related parties disclosed in the consolidated statements of financial position and other details disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with related parties during the year:

Name of related company	Nature of transactions	2015 HK\$'000	2014 HK\$'000
Million Trader Enterprises (Hong Kong) Limited	Management fee income received	—	274
	Interest income received	110	550
	Interest expenses paid	—	20
Ahsay Corporation Limited	Management fee income received	—	179
	Interest income received	—	16
	Rental expenses paid	550	1,320
	Motor vehicle rental expenses paid	60	240
Assets Sino Investments (HK) Limited*	Rental expenses paid	1,456	—
Advantage AC&R Equipment Supplies Co., Limited*	Management fee income received	—	359
Sau King Investments Limited*	Interest income received	48	204
Commonwill Catering Services Limited*	Interest expenses paid	—	12

* Assets Sino Investments (HK) Limited, Advantage AC&R Equipment Supplies Co., Limited, Sau King Investments Limited and Commonwill Catering Services Limited are under common control of certain directors of the Company, and hence, they are related parties of the Group.

(b) Compensation of key management personnel:

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

	2015 HK\$'000	2014 HK\$'000
Short-term benefits	4,170	N/A (Note)
Post-employment benefits	33	N/A (Note)
	4,203	N/A (Note)

Note: During the year ended 31 December 2014, the Directors are identified as key management members of the Company, and their compensation during the year ended 31 December 2014 is set out in note 14.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

36. Particulars of Subsidiaries

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid up share capital/registered capital	Equity interest attributable to the Group		Principal activities
			2015	2014	
Ahsay HK	Hong Kong	Ordinary shares HK\$1,000,000	100%	100%	Investment holding and provision of online backup software solution to clients via internet
亞勢軟件(重慶) 有限公司 Ahsay Systems Corporation (Chongqing) Limited	The People's Republic of China	Registered capital RMB100,000	100%	100%	Sale of software
Alpha Heritage	BVI	Ordinary shares US\$1	100%*	N/A	Investment holding
Apex Ace	BVI	Ordinary shares US\$1	100%*	N/A	Investment holding
CloudBacko HK	Hong Kong	Ordinary shares HK\$200,000 [#]	100%	100%	Provision of online backup software solution to clients via internet
CloudBacko BVI	BVI	Ordinary shares US\$10	100%	100%	backup software solution to clients via internet
Million Victory	Hong Kong	Ordinary shares HK\$10,000	— [^]	100%	Property investment

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

[#] As at 31 December 2014, the issued share capital of CloudBacko HK was HK\$10,000. During the current year, 190,000 additional shares were issued for HK\$190,000. Upon the issuance of the additional shares, the issued share capital of CloudBacko HK became HK\$200,000.

[^] Million Victory was disposed during the current year (note 12).

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

37. Financial Information of the Company

Assets and Liabilities

	2015 HK\$'000
NON-CURRENT ASSETS	
Investments in subsidiaries	—
CURRENT ASSET	
Bank balances and cash	87,098
CURRENT LIABILITY	
Amount due to a subsidiary	9,868
NET CURRENT ASSETS	77,230
NET ASSETS	77,230
CAPITAL AND RESERVES	
Share Capital	20,000
Reserves	57,230
	77,230

Reserves

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

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the three years ended 31 December 2015, as extracted from the audited consolidated financial statements in this annual report and the Prospectus is set out below:

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

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