



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



2017

1st Quarterly Report



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

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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.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

During the three months ended 31 March 2016 and 2017, the Company and its subsidiaries (collectively, the “Group”) recorded a revenue of approximately HK\$12.7 million and HK\$14.0 million respectively, representing an increase of approximately 10.2%. The Group recorded a loss of approximately HK\$0.7 million and HK\$1.2 million for the three months ended 31 March 2016 and 2017 respectively. The loss was mainly due to the costs and new expenditure incurred on the information sharing platform (the “New Business”) which overwhelm the result increment of the Group’s core backup business.

Revenue

The Group’s revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services and other services. Revenue of approximately HK\$12.7 million and HK\$14.0 million was recognised for the three months ended 31 March 2016 and 2017, respectively, which represents an increase of approximately 10.2%.

The increase for the three months ended 31 March 2017 was mainly due to the increase in revenue from (1) software license sales and leasing of approximately HK\$0.3 million, (2) software upgrades and maintenance service fee of approximately HK\$0.4 million and (3) other services of approximately HK\$0.5 million as compared with the same period of 2016.

Other Income

Other income decreased by approximately HK\$81,000 or 41.1%, to approximately HK\$116,000 for the three months ended 31 March 2017 from approximately HK\$197,000 for the three months ended 31 March 2016. The decrease for the three months ended 31 March 2017 was mainly due to the decrease of bank interest income as compared with the same period in 2016.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors’ fee, MPF contributions, directors’ quarters, other staff welfare and other related expenses. Staff costs and related expenses increased by approximately HK\$1.0 million or 10.1%, to approximately HK\$10.9 million for three months ended 31 March 2017 from approximately HK\$9.9 million for the three months ended 31 March 2016. The increase for the three months ended 31 March 2017 was mainly due to the combined effect of increase in total headcount, salaries increment and offset by the development cost capitalised as compared with the same period in 2016.

Other Expenses

Other expenses primarily comprised depreciation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expense and other regular office expenses such as utilities. Other expenses increased by approximately HK\$0.6 million or 16.2%, to approximately HK\$4.3 million for the three months ended 31 March 2017 from approximately HK\$3.7 million for three months ended 31 March 2016. The increase for the three months ended 31 March 2017 was mainly due to increase in advertising and marketing expenses as compared with the same period in 2016.

Finance Costs

Finance costs primarily represented interest expenses on bank borrowings. Finance costs decreased by approximately HK\$15,000 or 17.0%, to approximately HK\$73,000 for the three months ended 31 March 2017 from approximately HK\$88,000 for the three months ended 31 March 2016. The decrease for the three months ended 31 March 2017 was mainly due to repayment of bank loans during the period.

Income Tax Credit

The Group recorded an income tax credit for the three months ended 31 March 2016. The recognition of an income tax credit was mainly due to the deferred tax assets of approximately HK\$0.1 million having been recognised in respect of unused tax losses available for offsetting against future taxable profit as at 31 March 2016.

Loss for the Period

The Group recorded a loss of approximately HK\$0.7 million and HK\$1.2 million for the three months ended 31 March 2016 and 2017 respectively. Of the loss for the three months ended 31 March 2017, approximately HK\$2.9 million was incurred by the New Business, offset by the segment profit of approximately HK\$1.6 million from the Group's core backup business.



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 maintained a sound financial condition. As at 31 March 2017, current assets (including cash and bank balances) of approximately HK\$86.5 million (31 December 2016: approximately HK\$100.8 million). The Group repaid all bank borrowings during the period compared with HK\$8.7 million bank borrowings balance as of 31 December 2016. The Group remained at a net cash position as at 31 March 2016 and 2017. With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Charges On Assets of the Group

As at 31 March 2017, there was no charge on assets of the Group (31 December 2016: nil).

Capital Structure

The capital structure of the Company comprised ordinary shares only. As at 31 March 2017, the Company's issued share capital was HK\$20.0 million with 2,000,000,000 ordinary shares issued each of HK\$0.01.

Capital Commitments and Contingent Liabilities

As at 31 March 2017, the Group did not have any significant capital commitment (31 December 2016: nil) and contingent liability (31 December 2016: nil). The Group did not have plans for material investments or purchases of capital assets in the near term.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisition and disposal during the three months ended 31 March 2016 and 2017.

BUSINESS REVIEW

Existing Principal Business

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 features built-in. One of the Group's backup software products, the Ahsay™ Backup Software, supports more than 30 languages and dialects, and can be used on various platforms and with different software applications.

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

Facing keen competition in the global backup software market, the Group will continue to uphold the principle of "customer-orientation" in operating its businesses. It will focus on product development and refinement, as well as offering superior customer services to cater for the changing market needs. To better meet the needs of its customers, the Group has introduced a new service – the 24 x 7 Premium-Lite Loyalty Support service – to provide fast and customer-focused support service. Appropriate adjustments will be made to ensure good quality products and value-added services are available to customers at all times. The Group believes that such efforts can help it strengthen customer relationships and will ultimately improve competitiveness. For the three months ended 31 March 2017, the segment profit of approximately HK\$1.6 million was recorded as compared to the segment loss of approximately HK\$1.0 million for the three months ended 31 March 2016.

Prospects for New Business

In 2016, KINTIPS LIMITED ("KINTIPS LIMITED"), an indirect wholly-owned subsidiary of the Company, has developed an online smartphone platform (the "Platform") which is designed to provide information sharing services in Hong Kong. The Platform has been officially launched in December 2016. A mobile application named "堅料" ("KINTIPS") can be installed in both Android OS and Apple iOS mobile devices. KINTIPS is a trading platform for horse racing tips in Hong Kong. The Platform which is designed for information providers ("horse racing tipsters") and subscribers to share information via Internet website or mobile phone applications.

With the advantages of the Group's expertise and profuse experience in the IT industry, KINTIPS is the first step of the Group in exploring new markets in the apps industry. KINTIPS is a brand new channel which allows horse racing tipsters to share their knowledge and views with other horse racing fans. KINTIPS will also be a new source of revenue for the Group and one of the Group's founders, Mr. Chong Siu Ning, is being assigned to be in charge of this New Business. For the three months ended 31 March 2017, the contribution to the revenue of the Group from the New Business was not material.

DISCLOSURE OF INTERESTS AND OTHER INFORMATION

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

As at 31 March 2017, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

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

Notes:

- As at 31 March 2017, the Company had 2,000,000,000 Shares in issue.
- As at 31 March 2017, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited ("Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2017, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 March 2017, the Company had 2,000,000,000 Shares in issue.
2. All Divine held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future which is owned by Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui and Mr. Chong Siu Ning are deemed to be interested in the Shares held by All Divine.
3. Ms. Wu Jui-fang is the spouse of Mr. Chong Siu Pui. By virtue of the SFO, Ms. Wu Jui-fang is deemed to be interested in the Shares in which Mr. Chong Siu Pui is interested.
4. Ms. Li Yin Heung is the spouse of Mr. Chong Siu Ning. By virtue of the SFO, Ms. Li Yin Heung is deemed to be interested in the Shares in which Mr. Chong Siu Ning is interested.

Save as disclosed above, as at 31 March 2017, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this report, at no time during the three months ended 31 March 2017 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).

Directors' and Controlling Shareholders' Interest in Competing Business

For the three months ended 31 March 2017, the Directors are not aware of any business or interest of the Directors, the Controlling Shareholders of the Company 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

As notified by VBG Capital Limited ("VBG Capital") (formerly known as V Baron Global Financial Services Limited), the compliance adviser of the Company, neither VBG Capital nor any of its close associates and none of the directors or employees of VBG Capital had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2017.

Compliance with the Code of Conduct for Directors' Securities Transactions

The Group has 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 for the three months ended 31 March 2017.

Compliance with the Code on Corporate Governance

The Company is committed to achieve high standards of corporate governance with a view to safeguarding the interests of its shareholders. 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 during the three months ended 31 March 2017.

Share Option Scheme

A share option scheme was adopted and approved by the shareholders of the Company on 4 September 2015 (the "Share Option Scheme"). No share options have been granted pursuant to the Share Option Scheme since its adoption.

Purchase, Redemption or Sale of the Listed Securities of the Company

During the three months ended 31 March 2017 and up to the date of this report, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

Review by the Audit Committee

The Company has established an audit committee of the Board (the “Audit Committee”) with written terms of reference in compliance with GEM Listing Rules. The Audit Committee’s principal duties are to review and supervise the Company’s financial reporting process and internal control systems and to provide advice and comments to the Board. Members of the Audit Committee are Mr. Wong Yau Sing (chairman of the Audit Committee), Mr. Wong Cho Kei Bonnie and Ms. Wong Pui Man, all of them being independent non-executive Directors.

The interim financial information of the Group for the three months ended 31 March 2017 has not been audited. The Audit Committee has reviewed with management the interim financial information of the Group for the three months ended 31 March 2017, the quarterly report, the accounting principles and practices adopted by the Group, and other financial reporting matters. The Audit Committee was satisfied that such results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

By order of the Board

Ahsay Backup Software Development Company Limited

Chong King Fan

Chairman and Executive Director

Hong Kong, 5 May 2017

As at the date of this report, the executive Directors are Mr. CHONG King Fan, Mr. CHONG Siu Pui, Mr. CHONG Siu Ning and Ms. CHONG Siu Fan; and the independent non-executive Directors are Mr. WONG Cho Kei Bonnie, Ms. WONG Pui Man and Mr. WONG Yau Sing.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2017

	NOTES	Three months ended 31 March	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Revenue	4	13,952	12,657
Cost of inventory sold		–	(3)
Other income		116	197
Other losses		(5)	(2)
Staff costs and related expenses		(10,909)	(9,895)
Other expenses		(4,279)	(3,711)
Finance costs		(73)	(88)
Loss before tax from operation		(1,198)	(845)
Income tax credit	5	–	141
Loss for the period	6	(1,198)	(704)
Other comprehensive income (expense)			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference arising on translation of a foreign operation		3	7
Other comprehensive income for the period		3	7
Total comprehensive expense for the period attributable to the owners of the Company		(1,195)	(697)
Losses per share	8		
Basic (in HK cents)		(0.06)	(0.04)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2017

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	20,000	72,435	4,097	(35)	(26,531)	69,966
Loss for the period	-	-	-	-	(1,198)	(1,198)
Other comprehensive income for the period						
Exchange difference arising on translation of a foreign operation	-	-	-	3	-	3
Total comprehensive income (expense) for the period	-	-	-	3	(1,198)	(1,195)
At 31 March 2017 (unaudited)	20,000	72,435	4,097	(32)	(27,729)	68,771
At 1 January 2016 (audited)	20,000	72,435	4,097	(18)	(15,430)	81,084
Loss for the period	-	-	-	-	(704)	(704)
Other comprehensive income for the period						
Exchange difference arising on translation of a foreign operation	-	-	-	7	-	7
Total comprehensive income (expense) for the period	-	-	-	7	(704)	(697)
At 31 March 2016 (unaudited)	20,000	72,435	4,097	(11)	(16,134)	80,387

NOTES TO THE INTERIM FINANCIAL INFORMATION

For the three months ended 31 March 2017

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 the Internet.

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

2. BASIS OF PREPARATION

The interim financial information has been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The amounts included in this interim financial information have been computed in accordance with accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") applicable to interim periods. However, it does not contain sufficient information to constitute an interim financial statements as defined in HKFRSs.

The interim financial information should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2016 (the "2016 Financial Statements").

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs and interpretation issued by the HKICPA.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual improvements to HKFRSs 2014-2016 cycle

The application of these amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the interim financial information and/or disclosures set out in the interim financial information.

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies used in the preparation of this interim financial information are consistent with those used in the preparation of the 2016 Financial Statements.

The interim financial information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

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

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

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

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

Segment revenue and result

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

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

4. REVENUE AND SEGMENT INFORMATION – continued

Segment revenue and result – continued

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

For the three months ended 31 March 2017 (unaudited)

	Online backup software and other services HK\$'000	Information sharing services HK\$'000	Total HK\$'000
Segment revenue – External			
Software license sales and leasing	7,501	–	7,501
Software upgrades and maintenance services fee	5,658	–	5,658
Other services fee	755	–	755
Information sharing services income	–	38	38
Total revenue from operation	13,914	38	13,952
Segment results	1,579	(2,888)	(1,309)
Unallocated incomes and expenses			
Other income			116
Other losses			(5)
Loss before tax from operation			(1,198)

For the three months ended 31 March 2016 (unaudited)

	Online backup software and other services HK\$'000	Information sharing services HK\$'000	Total HK\$'000
Segment revenue – External			
Software license sales and leasing	7,220	–	7,220
Software upgrades and maintenance services fee	5,229	–	5,229
Other services fee	208	–	208
Information sharing services income	–	–	–
Total revenue from operation	12,657	–	12,657
Segment results	(1,040)	–	(1,040)
Unallocated incomes and expenses			
Other income			197
Other losses			(2)
Loss before tax from operation			(845)

5. INCOME TAX CREDIT

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	–	–
Deferred tax	–	(141)
	–	(141)

The Group is subject to Hong Kong Profits Tax at a rate of 16.5% for both periods. For the three months ended 31 March 2017 and 2016, no provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong.

6. LOSS FOR THE PERIOD

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss for the period has been arrived at after (crediting) charging:		
Directors' emoluments	2,262	2,118
Other staff costs		
– Salaries, allowances and benefits in kind and performance and other bonus	8,664	6,924
– Retirement benefits scheme contributions, excluding directors	302	239
Long-term employee benefit (credit) expense	(499)	83
Total directors and staff costs	10,729	9,364
Staff related expenses	180	531
Staff costs and related expenses	10,909	9,895
Research and development costs		
Amounts incurred	3,758	3,170
Less: development cost capitalised	(1,583)	–
Amounts included in staff costs and related expenses	2,175	3,170
Auditor's remuneration*	250	400
Advertising and marketing expenses*	1,684	930
Legal and professional fees*	345	636
Depreciation of property, plant and equipment*	95	63

* Included in other expenses

7. DIVIDENDS

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Dividends declared and paid/payable to shareholders	–	–

No dividend was paid, declared or proposed during the three months ended 31 March 2017 and 2016.

8. LOSSES PER SHARE

As of 31 March 2017, the Company has 2,000,000,000 ordinary shares in issue. The calculation of the basic losses per share attributable to the owners of the Company from operation is based on the following data:

	Three months ended 31 March	
	2017	2016
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Losses for the purpose of basic losses per share		
Loss for the purpose of basic losses per share from operation	(1,198)	(704)

	Three months ended 31 March	
	2017	2016
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic losses per share	2,000,000	2,000,000

No diluted losses per share was presented as there were no potential ordinary share outstanding during both periods.

9. RESERVES

Movement in the reserves of the Group during the periods are set out in the condensed consolidated statement of changes in equity in Page 11 to this report.