



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

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8290



2018

1st Quarterly Report

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

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Given that the companies listed on GEM are generally small and mid-sized companies, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Overview

During the three months ended 31 March 2018 and 2017, the Group recorded revenues of approximately HK\$15.1 million and HK\$14.0 million respectively, representing an increase of approximately 7.9%. The Group recorded a profit of approximately HK\$1.3 million for the three months ended 31 March 2018 as compared to a loss of approximately HK\$1.2 million for the corresponding period in 2017. The turnaround from loss to profit is mainly attributable to (i) the increase in revenue resulting from a higher adoption rate of latest version of Ahsay™ Backup Software ("Version 7") and (ii) the decrease in staff costs and advertising and marketing expenses by enhancing the efficiency of resources allocation.

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\$15.1 million and HK\$14.0 million was recognised for the three months ended 31 March 2018 and 2017 respectively, which represents an increase of approximately 7.9%.

The revenue increment for the three months ended 31 March 2018 was mainly due to the increase in revenue from software license sales and leasing of approximately HK\$1.4 million, offset by the decrease in revenue from software upgrades and maintenance services fee of approximately HK\$0.2 million and other services of approximately HK\$0.1 million, mainly due to a higher adoption rate of Version 7.

Other Income

Other income increased by approximately HK\$127,000 or 109.5%, to approximately HK\$243,000 for the three months ended 31 March 2018 from approximately HK\$116,000 for the three months ended 31 March 2017. The increase for the three months ended 31 March 2018 was mainly due to the increase in bank interest income as a result of the increase in average interest rate of time deposits as compared with the same period in 2017.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, MPF contributions, other staff welfare and other related expenses. Staff costs and related expenses decreased by approximately HK\$0.5 million or 4.6%, to approximately HK\$10.4 million for three months ended 31 March 2018 from approximately HK\$10.9 million for the three months ended 31 March 2017. The decrease for the three months ended 31 March 2018 was mainly due to the decrease in total headcount offset by salaries increment and decrease in development cost capitalised as compared with the same period in 2017.

Other Expenses

Other expenses primarily comprised depreciation, amortisation, advertising and marketing expenses, merchant credit card charges, legal and professional fees, office rental expense and other regular office expenses such as utilities. Other expenses decreased by approximately HK\$0.9 million or 20.9%, to approximately HK\$3.4 million for the three months ended 31 March 2018 from approximately HK\$4.3 million for the three months ended 31 March 2017. The decrease for the three months ended 31 March 2018 was mainly due to the decrease in advertising and marketing expenses by implementing cost control measures as compared with the same period in 2017.

Finance Costs

Finance costs primarily represented interest expenses on bank borrowing. Finance costs decreased by approximately HK\$73,000 or 100% for the three months ended 31 March 2018. The decrease for the three months ended 31 March 2018 was mainly due to repayment of bank borrowing during the period ended 31 March 2017.

Income Tax Expenses

The Group recorded income tax expenses for the three months ended 31 March 2018. The increase in income tax expenses was mainly due to the generation of assessable profits during the period ended 31 March 2018 compared with no assessable profits in corresponding period in 2017.

Profit (Loss) for the Period

The Group recorded a profit of approximately HK\$1.3 million for the three months ended 31 March 2018 as compared to a loss of approximately HK\$1.2 million for the corresponding period in 2017. Of the profit for the three months ended 31 March 2018, approximately HK\$2.5 million was incurred by the Group's core backup business, which is partially offset by the segment loss of approximately HK\$1.2 million from KINTIPS.

Financial Position, Liquidity and Financial Resources

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

The Group is in a sound financial resource level. As at 31 March 2018, current assets of approximately HK\$87.3 million (31 December 2017: approximately HK\$89.6 million). The Group remained at a net cash position both as at 31 March 2017 and 2018. 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 2018, there was no charge on assets of the Group (31 December 2017: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 31 March 2018, 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 2018, the Group did not have any significant capital commitment (31 December 2017: nil) and contingent liability (31 December 2017: 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 2017 and 2018.

Business Review

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

Data is incredibly important to all businesses nowadays. In view of hardware failure, data breach, malware attacks and human error, a comprehensive backup plan is crucial to protect and restore data to an error-free state. To avoid exposure to security threats and data loss, the demands of global backup software market and small and medium enterprises ("SMEs") for backup software products and relevant support services are expected to increase steadily in the coming years.

Customer care has long been a crucial element of our business success. Since September 2017, a customer support center in Philippines has been opened to expand the existing customer support operations. During the period, we have further expanded the existing quality assurance and development operations in Philippines and Mainland China respectively in order to maintain a high standard of product quality and achieve the customized development of products. With sufficient resources and additional talents, the Group will continue to integrate its business development with market needs and timely upgrade its existing products and technology to keep pace with technological advancement. The Group believes such efforts can help strengthen its customer relationships and will ultimately enhance the competitiveness of our core products and customer services in the foreseeable future.

With the increase in market acceptance and adoption rate of Version 7, revenues of the Group has increased by approximately HK\$1.1 million, or 7.9% from approximately HK\$14.0 million for the three months ended 31 March 2017 to approximately HK\$15.1 million for the three months ended 31 March 2018.

Outlook

Core Backup Business

During the period, the Group will dedicate significant resources to delivering the latest features, enhancements and support to Version 7 which was launched to cope with the changes in the market and to meet the latest needs of enterprises and backup service providers. Version 7 is an advanced client-server-based solution that offers on-premises and cloud backup. With the software, users can manage the backup users' authorisation procedures and systems anytime and anywhere. They can also manage the users and monitor system status in real time, thus enjoy enhanced management flexibility.

For the three months ended 31 March 2018 and 2017, the segment profit from core backup business of approximately HK\$2.5 million and HK\$1.6 million was recorded respectively.

Looking forward, the Group aims to strengthen the quality of its customer support services as well as to continue the development of new features and the improvement in the usability of Ahsay™ Backup Software with a customer value orientated focus which the Group believes would help to increase its market share in the backup software sector in coming years.

Information Sharing Platform

KINTIPS LIMITED, an indirect wholly-owned subsidiary of the Company, has developed an online information sharing platform, which includes a website and a mobile-application both named KINTIPS (堅料) designed to provide information sharing services in Hong Kong. KINTIPS was officially launched, and the mobile application can be installed on mobile devices that operate on the Android OS or Apple iOS systems. KINTIPS is a trading platform for horse racing and football tips in Hong Kong designed for information providers (horse racing and football tipsters) and subscribers to share information via its website or mobile application.

With advantages of the Group's expertise and experience in the information technology industry, the KINTIPS mobile application is the first step of the Group in exploring new markets in the applications industry. It is a brand new channel that allows horse racing and football tipsters to share their knowledge and views with other horse racing and football fans. KINTIPS will be a new source of revenue for the Group. For the three months period ended 31 March 2018, the revenue contribution of the information sharing platform to the Group 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 2018, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO); or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

Name of Director	Capacity/nature of interest	Note	Number of Shares	Approximate percentage of total number of Shares (Note 1)
Mr. Chong King Fan	Interest of spouse	2	1,500,000,000	75.0%
Mr. 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:

1. As at 31 March 2018, the Company had 2,000,000,000 Shares in issue.
2. As at 31 March 2018, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited ("Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. 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 2018, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2018, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept 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 2018, the Company had 2,000,000,000 Shares in issue.
2. All Divine held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future which is owned by Mrs. Chong Li Sau Fong, Mr. 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 2018, the Company has not been notified by any persons (other than the Directors or chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the sections headed "Share Option Scheme" and "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company" in this report, at no time during the three months ended 31 March 2018 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 2018, 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 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 2018.

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 2018.

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 end 31 March 2018 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 2018 has not been audited. The Audit Committee has reviewed with management the condensed consolidated results of the Group for the three months ended 31 March 2018, 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, 4 May 2018

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2018

	NOTES	Three months ended 31 March	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	4	15,079	13,952
Other income	5	243	116
Other losses		(8)	(5)
Staff costs and related expenses		(10,381)	(10,909)
Other expenses		(3,368)	(4,279)
Finance costs		–	(73)
Profit (Loss) before tax		1,565	(1,198)
Income tax expenses	6	(249)	–
Profit (Loss) for the period	7	1,316	(1,198)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of a foreign subsidiary		1	3
Other comprehensive income for the period		1	3
Total comprehensive income (expense) for the period attributable to the owners of the Company		1,317	(1,195)
Earnings (Loss) per share (HK cents)	9	0.07	(0.06)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2018

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000 (Note i)	Translation reserve HK\$'000	Accumulated profits (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 differences arising on translation of a foreign subsidiary	-	-	-	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 2018 (audited)	20,000	72,435	4,097	(15)	(27,211)	69,306
Profit for the period	-	-	-	-	1,316	1,316
Other comprehensive income for the period						
Exchange differences arising on translation of a foreign subsidiary	-	-	-	1	-	1
Total comprehensive income for the period	-	-	-	1	1,316	1,317
At 31 March 2018 (unaudited)	20,000	72,435	4,097	(14)	(25,895)	70,623

Note:

i. Capital reserve comprises:

- (a) a debit amount of HK\$5,000 represents the difference between the fair value of the consideration paid of HK\$205,000 to Mrs. Chong Li Sau Fong, Mr. Chong Siu Pui, Mr. Chong Siu Ning (the "Controlling Shareholders") and the carrying amount of HK\$200,000 of the net assets attributable to the 100% equity interest in CloudBacko Corporation ("CloudBacko BVI") and Ahsay Service Centre Limited ("ASCL"), upon the transfer of 100% equity of CloudBacko BVI and ASCL from the controlling shareholders in April 2015;
- (b) a credit amount of HK\$1,000,000 represents the difference between the par value of the share issued by Alpha Heritage Holdings Limited ("Alpha Heritage"), a wholly owned subsidiary of the Company, and the share capital of Ahsay Systems Corporation Limited ("Ahsay HK"), upon the transfer of 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;
- (c) a credit amount of HK\$2,000,000 represents the deemed capital contribution from the Controlling Shareholders with regard to waiver of amounts due to shareholders in March 2015; and
- (d) a credit amount of HK\$1,102,000 represents the deemed capital contribution from the Controlling Shareholders upon disposal the entire equity interest in Million Victory Investment Management Limited, a subsidiary of the Group, to a related company controlled by the Controlling Shareholders.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended 31 March 2018

1. General

The Company is a public listed company incorporated in the Cayman Islands 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 listed on the GEM of The Stock Exchange of Hong Kong (the "Stock Exchange").

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

2. Basis Of Preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules.

The amounts included in these unaudited condensed consolidated financial statements 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") that is applicable to current period. However, it does not contain sufficient information to constitute a condensed consolidated financial statements as defined in HKFRSs.

These unaudited condensed consolidated financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017 (the "2017 Financial Statements").

3. Principal Accounting Policies

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the preparation of the 2017 Financial Statements.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis.

3. Principal Accounting Policies – continued

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

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

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

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 reportable and 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

Segment revenue and result

Segment results represent the profit earned by/loss from 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.

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

4. Revenue and Segment Information – continued

Segment revenue and result – continued

For the three months ended 31 March 2018 (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	8,935	–	8,935
Software upgrades and maintenance services fee	5,437	–	5,437
Other services fee	637	–	637
Information sharing services income	–	70	70
Total revenue	15,009	70	15,079
Segment profit (loss)	2,542	(1,212)	1,330
Unallocated incomes and expenses			
Other income			243
Other losses			(8)
Profit before tax			1,565

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	13,914	38	13,952
Segment profit (loss)	1,579	(2,888)	(1,309)
Unallocated incomes and expenses			
Other income			116
Other losses			(5)
Loss before tax			(1,198)

5. Other Income

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank interest income	228	115
Sundry income	15	1
	243	116

6. Income tax Expenses

	Three months ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
Hong Kong Profits Tax	175	–
Deferred tax	74	–
	249	–

The Group is not subject to any income tax in the Cayman Islands and The British Virgin Islands (“BVI”) pursuant to the rules and regulations in those jurisdictions.

One of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of assessable profits and 16.5% for the assessable profits above HK\$2 million for the current period. Other subsidiaries of the Company and the Group are subject to Hong Kong Profits Tax at the rate of 16.5% for the three months ended 31 March 2018 and 2017 respectively.

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

7. Profit (Loss) For the Period

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Profit (Loss) for the period has been arrived at after charging (crediting):		
Directors' emoluments	2,105	2,262
Other staff costs		
– Salaries, allowances and benefits in kind and performance and other bonus	7,682	8,664
– Retirement benefits scheme contributions, excluding directors' contributions	260	302
Long-term employee benefit expense (credit)	36	(499)
Total directors' and staff costs	10,083	10,729
Staff related expenses	298	180
Staff costs and related expenses	10,381	10,909
Research and development costs		
Amounts incurred	3,191	3,758
Less: capitalised development cost	(497)	(1,583)
Amounts included in staff costs and related expenses	2,694	2,175
Auditor's remuneration*	250	250
Advertising and marketing expenses*	540	1,684
Amortisation on intangible assets*	132	–
Legal and professional fees*	429	345
Depreciation of property, plant and equipment*	101	95
Foreign exchange losses, net	8	5

* Included in other expenses

8. Dividends

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the three months ended 31 March 2018 and 2017.

9. Earnings (Loss) Per Share

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

	Three months ended 31 March	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Earnings (Loss) per share		
Earnings (Loss) for the purpose of basic earnings (loss) per share	1,316	(1,198)

	Three months ended 31 March	
	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings (loss) per share	2,000,000	2,000,000

No diluted earnings/loss per share was presented as there were no potential ordinary share in issue during both periods.

10. Reserves

Movement in the reserves of the Group during the periods are set out in the unaudited condensed consolidated statement of changes in equity in Page 12 to this report.