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

2022
ANNUAL REPORT

AhsayCBS AhsayOBM AhsayACB AhsayPRD AhsayUBS

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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.

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

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 of Hong Kong Limited (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

BOARD OF DIRECTORS

Executive Directors

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

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

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited
BNP Paribas (Singapore Branch)

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

LEGAL ADVISER

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

STOCK CODE

8290

WEBSITE

www.ahsay.com.hk

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Ahsay Backup Software Development Company Limited (the "Company"), I present the annual report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022.

During the year ended 31 December 2022 and 2021, the Group recorded revenue of approximately HK$44.9 million and HK$47.9 million respectively, representing a decrease of approximately 6.3%. The Group recorded a loss attributable to owners of the parent of approximately HK$2.0 million for the year ended 31 December 2022 as compared to a loss attributable to owners of the parent of approximately HK$15.7 million for the prior year. The decrease in loss was mainly attributable to the decrease in staff cost resulting from the cost control measures imposed, which included team restructuring and salary reduction for the senior management of the Group.

Recovery of our business demand has been slow as the negative impacts of COVID-19 have persisted longer than previously anticipated and factors such as the war in Ukraine and the rising inflation have further deteriorated global economy and slowed down the recovery of our business demand. Such negative impacts significantly affects the principle business of small and medium-sized enterprises, and has continually weakened their demand for online backup services. Relative weak demand from customers has continually affected the profitability of our online backup business. The Group also faced increasingly intense competition within the global online backup software market.

Despite adjusting our pricing strategy, the revenue from online backup software segment in these two years were not stable and the customer segmentation has changed with reduced bulk purchase. In response to the weak demand of the global economy, Ahsay™ Backup Software Version 9 has been launched in early 2022 to cope with the market changes and maintain the competitiveness of the Group. We would also continue to take mitigating actions to control operating costs to maintain a healthy financial position. With the implementation of prudent cost control measures during the year, the loss attributable to owners of parent for the year ended 31 December 2022 has decreased by over 85% compared to prior year.

In the meantime, the Group has strengthened its digital social media platform to provide customers with the latest product information to improve customer perception. Our customer service team is dedicated to maintaining a long-term relationship with customers by understanding their needs through keeping a close channel of communication with customers regarding technical issues that they may encounter. To uphold the principle of "customer-orientation" and enhance customer satisfaction, the Group has continually diversified and customised our products and services during the year.

Looking forward, it is expected that uncertainty of global economy will become the new normal. The Group will remain cautious and maintain our prudent financial policy to improve the Group's financial and competitive performance. We will also improve the quality and upgrade the functionalities in both online backup software and KINBOY platform to enhance the user experience.

On behalf of the Board, I express my sincere gratitude for the hard work contributed by all staff and the Directors, as well as the support to the Company from all our customers, and express my sincere thanks to our shareholders for their strong and enduring support since the listing of the Group. To show our appreciation to all of you for your confidence and support, the Group will be dedicated to striving for better returns for our investors.

Chong Siu Ning
Chairman

Hong Kong
17 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

The external economic environment continues to be weak, the revenue derived from the Group's online backup software and its related services inevitably decreased by approximately HK$3.9 million or 8.8% from approximately HK$44.2 million for the year ended 31 December 2021 to approximately HK$40.3 million for the year ended 31 December 2022.

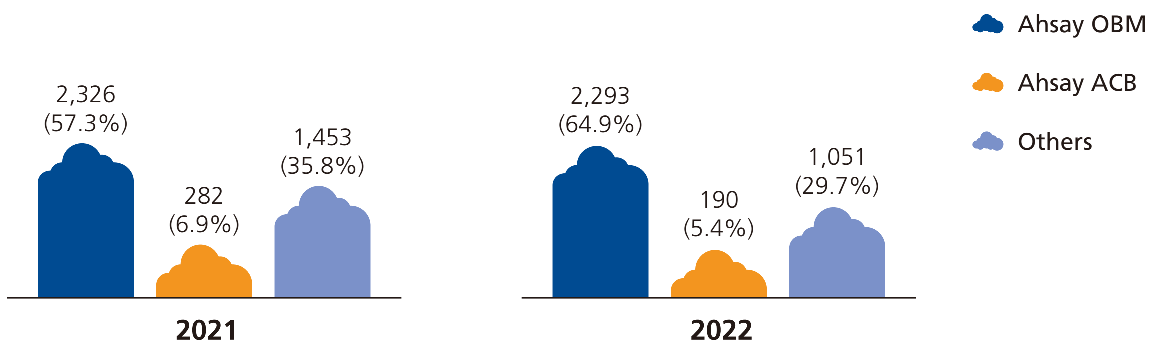
On the other side, the revenue derived from the Group's information platform increased by approximately HK$0.9 million or 24.3% from approximately HK$3.7 million for the year ended 31 December 2021 to approximately HK$4.6 million for the year ended 31 December 2022.

Total revenue of the Group decreased by approximately HK$3.0 million or 6.3% from approximately HK$47.9 million for the year ended 31 December 2021 to approximately HK$44.9 million for the year ended 31 December 2022.

For the year ended 31 December 2022, Ahsay Online Backup Manager ("Ahsay OBM") and Ahsay A-Click Backup ("Ahsay ACB"), core components of Ahsay™ Backup Software, in aggregation accounted for approximately 71.4% of the revenue from software license sales and leasing of the Group. The following graphs show a breakdown of the revenue from software license sales and leasing of the Group for the year ended 31 December 2021 and 2022, respectively:

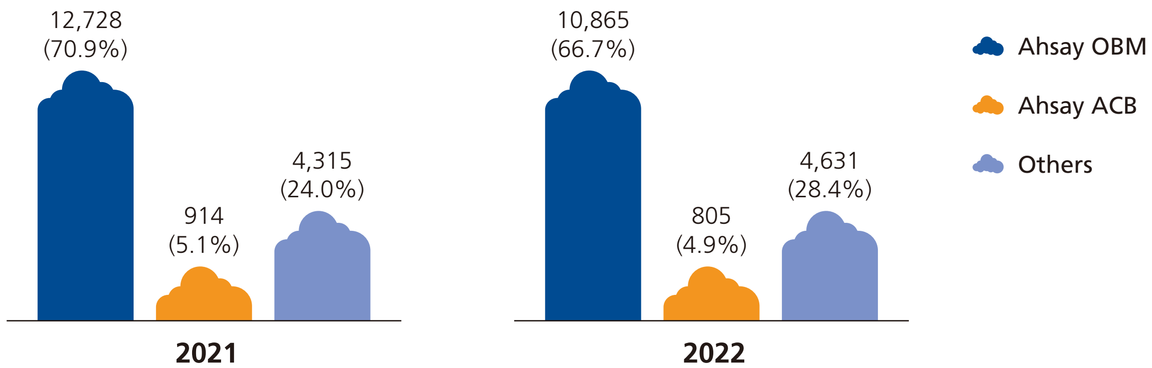
i) Revenue by software license sales

(HK$'000)



ii) Revenue by software license leasing

(HK$'000)



For the year ended 31 December 2022, the number of license sales of Ahsay OBM was 6,572 as compared with 7,067 of the corresponding period in 2021, representing a decrease of approximately 7.0%. The average unit price increased by approximately HK$20 or 6% from approximately HK$329 in 2021 to approximately HK$349 in 2022. The slight decrease in revenue was mainly due to the change of customer segmentation with reduced bulk purchase during the year.

For the year ended 31 December 2022, the number of license sales of Ahsay ACB was 1,173 as compared with 1,762 of the corresponding period in 2021, representing a decrease of approximately 33.4% with no material changes in unit price. The decrease was mainly due to the sluggish demand from customers and intense competition of backup solution of standalone PCs or workstations market during the year.

For the year ended 31 December 2022, the total number of monthly license leasing for Ahsay OBM was 231,580 as compared with 288,571 of the corresponding period in 2021, representing a decrease of approximately 19.7%. The average monthly price increased by approximately HK$2.8 or 6.3% from approximately HK$44.1 per month in 2021 to approximately HK$46.9 per month in 2022. Similar to the license sales of Ahsay OBM, the decrease in revenue was mainly due to the change of customer segmentation with reduced bulk purchase during the year.

For the year ended 31 December 2022, the total number of monthly license leasing for Ahsay ACB was 100,774 as compared with 106,307 of the corresponding period in 2021, representing a decrease of approximately 5.2%. The average unit price per month decreased by approximately HK$0.6 or 7.0% from approximately HK$8.6 in 2021 to approximately HK$8.0 in 2022. The decrease in revenue was mainly due to the sluggish demand from customers and intense competition of backup solution of standalone PCs or workstations market during the year.

PRINCIPAL RISKS AND UNCERTAINTIES

— The Group derived substantially all of its revenue from software license sales and leasing and software upgrades and maintenance services from Ahsay™ Backup Software for the year ended 31 December 2022. Any failure to continuously maintain or enhance the performance of Ahsay™ Backup Software and end-user experience and the failure to launch high-quality new software could materially and adversely affect the business and results of operations.

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

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

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

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

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

OUTLOOK

Core Backup Business

Our current version of Ahsay™ Backup Software — Version 9 ("Version 9") launched in January 2022 is an advanced client-server based on-premises and cloud backup software solution for businesses and managed service providers ("MSPs").

In terms of the major enhancement of Version 9, the In-File Data feature was replaced with the new feature — Deduplication, which is part of the backup process that identifies and eliminates duplicate copies of repeating data, storing the data only once, in order to save storage space. Deduplication plays a major role in managing storage space, particularly when performed over large volumes of data. The whole solution can be deployed within a company to backup all virtual machines or physical servers. MSPs can also use this software solution to offer secure managed backup service to their clients.

Version 9 comes with a web based central management console for system administrator to easily manage the whole backup system through any web browser. It supports various features such as Microsoft 365 Backup including SharePoint Online, Outlook, OneDrive etc. In addition to the above, the backup and restoration of Microsoft Teams are also supported.

With the enhancement of functionalities, we believe Version 9 provides improved user experience for our customers. We will continue to pay close attention to the changes in the market and the direction for future development.

Information Platform

The Group has developed information platforms, named KINBOY (堅仔) which is an information analysis tool and KINTIPS (堅料) for information sharing. Such platforms are mainly deployed on mobile-application.

KINBOY is an all-in-one platform for horse racing information which provides users an alternative way to access information electronically. The subscription service is tiered and structured such that free members can access the latest race cards, results and dividends, entries lists, chance table of horse racing and other detailed information such as finesse of horses, sharp moves, odds trend and forecast of first two races for catch-up viewing; while paid members can access detailed information including Cloud Data for full day races. Cloud Data, which is a new feature of KINBOY, was launched during the year. It has collected and combined information from overseas and The Hong Kong Jockey Club for computer analysis. With the latest information and analysis, paid members would gain an in-depth insight into horse racing.

Apart from KINBOY, minimal revenue contributions are derived from information sharing platform KINTIPS, which is a platform designed to allow information providers and subscribers to share information via its website and mobile application.

Social distancing and isolation measures during COVID-19 pandemic have resulted in people gravitating towards entertainment to ease boredom and have made people realise the vital need for digital solutions. Mobile applications have become increasingly popular and the general populace are accustomed to using mobile devices as the new norm. With up-to-date information on horse racing, more and more people downloaded KINBOY as a way to replace traditional newspapers to gain access to horse racing information. The management is expecting a stable growth for the information platform segment in the future.

FINANCIAL REVIEW

Overview

During the years ended 31 December 2022 and 2021, the Group recorded revenues of approximately HK$44.9 million and HK$47.9 million, respectively, representing a decrease of approximately 6.3%. The Group recorded a loss attributable to owners of the parent of approximately HK$2.0 million for the year ended 31 December 2022 as compared to a loss attributable to owners of the parent of approximately HK$15.7 million for the prior year.

Revenue

The Group's revenue principally represented income derived from software license sales and leasing, software upgrades and maintenance services, subscription fees of information platform and other services. Revenues of approximately HK$44.9 million and HK$47.9 million were recognised for the years ended 31 December 2022 and 2021, respectively, representing a decrease of approximately 6.3%.

The decrease in revenue for the year ended 31 December 2022 was mainly due to the decrease in revenue derived from the Group's online backup business as affected by (i) the sluggish recovery of demand as a result of overall weak global economy, (ii) the change of customer segmentation with reduced bulk purchase and (iii) keen competition in the global online backup software market; which was partially offset by the increase in revenue derived from increase in subscription of the Group's information platform, compared with the prior year.

Other Income

Other income increased by approximately HK$1.6 million or 533.3%, to approximately HK$1.9 million for the year ended 31 December 2022 from approximately HK$0.3 million for the year ended 31 December 2021. The increase in other income for the year ended 31 December 2022 was mainly due to the recognition of government subsidies granted to the Group under the Employment Support Scheme launched by the Government of the Hong Kong Special Administrative Region and the increase in bank interest income as a result of the increase in the average rate of time deposits during the year.

Staff Costs and Related Expenses

Staff costs and related expenses primarily comprised salaries, performance bonuses, directors' fee, Mandatory Provident Fund contributions, other staff welfare and other related expenses. Staff costs and related expenses which decreased by approximately HK$11.8 million or 26.5%, to approximately HK$32.8 million for the year ended 31 December 2022 from approximately HK$44.6 million for the year ended 31 December 2021.

The decrease in staff costs and related expenses for the year ended 31 December 2022 was mainly due to the cost control measures imposed during the year, which included team restructuring and salary reduction of the senior management of the Group as compared with the prior year.

Other Expenses

Other expenses primarily comprised depreciation, advertising and marketing expenses, merchant credit card charges, legal and professional fees and other regular office expenses such as utilities. Other expenses decreased by approximately HK$3.4 million, or 18.5%, to approximately HK$15.0 million for the year ended 31 December 2022 from approximately HK$18.4 million for the year ended 31 December 2021.

The decrease in other expenses was mainly due to the lack of one-off impairment of other intangible assets and goodwill of which recognised last year.

Management Discussion and Analysis

Income Tax Expense

The Group recorded income tax expense of approximately HK$0.1 million for the year ended 31 December 2022. The decrease in income tax expense was mainly due to the generally decrease in assessable profits of certain subsidiaries during the year.

Loss for the Year

The Group recorded a loss of approximately HK$2.3 million for the year ended 31 December 2022 as compared to a loss of approximately HK$16.1 million for the prior year. The loss for the year consisted of an approximately HK$4.5 million segment loss from the Group's online backup software and related services segment, and a segment profit of approximately HK$0.9 million generated by the information platform segment.

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 amount of cash denominated mainly in Hong Kong dollars ("HK$") and United States Dollar ("US$") are generally deposited with licensed banks in Hong Kong and Singapore. As the Group's cash and bank balances are substantially denominated in HK$ and US$, risk in exchange rate fluctuation would not be material.

The Group is in a sound financial position. As at 31 December 2022, the Group's current assets were approximately HK$64.9 million (31 December 2021: approximately HK$65.8 million). The Group remained at a net cash position as at 31 December 2022 and 2021, respectively. Based on the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Charges on Assets of the Group

As at 31 December 2022, there was no charge on assets of the Group (31 December 2021: nil).

Capital Structure

The capital structure of the Company comprised of ordinary shares only. As at 31 December 2022, the Company's issued share capital was HK$20.0 million with 2,000,000,000 issued shares of HK$0.01 each.

Gearing Ratio

As at 31 December 2022, the Group's gearing ratio, calculated as interest-bearing liabilities divided by the total equity, was approximately 3.4% (31 December 2021: 3.1%).

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 licensed banks in Hong Kong and Singapore denominated mainly in HK$ and US$. As at 31 December 2022, no related hedges were made by the Group (31 December 2021: nil).

As most of the Group's trading transactions, monetary assets and liabilities are denominated in HK$, the impact of foreign exchange exposure to the Group during the year ended 31 December 2022 was minimal and there was no significant adverse effect on normal operations.

The carrying amounts of the Group's monetary assets denominated in currencies other than the Group's operating units' functional currencies at the end of the reporting period are mainly denominated in US$. As HK$ is pegged to the US$ within a narrow band, the Group does not expect any significant movements in the US$/HK$ exchange rate. Accordingly, management considers that the Group's foreign currency risk exposure for US$ is not significant.

After consideration of the benefit and cost, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, the Group continues to monitor its interest rate exposure closely.

Capital Commitments and Contingent Liabilities

The Group had no significant capital commitments and contingent liabilities as at 31 December 2022 and 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

There was no material acquisition or disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2022 and 2021, respectively.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a workforce of 73 employees (2021: 99). The decrease in number of employees was mainly due to enhancement of workforce efficiency. Total directors and staff costs for the year ended 31 December 2022 was approximately HK$32.8 million, representing a decrease of approximately HK$11.8 million or 26.5% as compared to that of the corresponding period in 2021. Details of staff costs and related expenses and emoluments of the Directors and five highest paid individuals are set out in notes 7 and 11 to the consolidated financial statements respectively.

Remuneration is determined with reference to the duties, responsibilities, experience, performance and competence of individual employee and Director. In addition to salaries and discretionary bonuses relating to the performance of the Group, employee benefit included the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong). The Group has not participated in any other pension schemes for the employees in Hong Kong. Most of the employees engaged outside Hong Kong are covered by appropriate local arrangements. 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 ended 31 December 2022, 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 Siu Ning (莊小靈) ("Mr. Scherring Chong"), aged 49, was appointed as a Director on 10 April 2015 and designated as an executive Director on 9 June 2015 and was the vice-chairman of our Board from 9 June 2015 to 5 September 2021. On 6 September 2021, he was appointed as Chairman of our Board. He is one of the founders of our Group. He has also been the director and information technology & marketing director of Ahsay HK since August 1999 and July 2000 respectively. Mr. Scherring Chong is responsible for overseeing the business development, strategic planning and information technology development of our Group.

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

Mr. Scherring Chong has extensive experience in the backup software industry. Prior to forming our Group, he worked as an associate software specialist at Oracle Systems Hong Kong Ltd. from June 1997 to March 1999. Mr. Scherring Chong is the son of Mr. Chong King Fan, the younger brother of Mr. Chong Siu Pui and Ms. Chong Siu Fan, the son of Mrs. Chong Li Sau Fong ("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 Systems Corporation Limited ("Ahsay HK"), an indirect wholly-owned subsidiary of the Company.

Mr. Chong Siu Pui (莊小霈) ("Mr. Schubert Chong"), aged 53, was appointed as a Director on 10 April 2015 and re-designated as the chief executive officer of our Group and an executive Director on 9 June 2015. On 6 September 2021, he was appointed as vice-chairman of our Board. He is one of the founders of our Group. Mr. Schubert Chong has also been the chief executive officer and financial director of Ahsay HK since October 2005. Mr. Schubert Chong is responsible for overseeing the business development, in-house operations, overall strategic planning and the finance and accounting activities of our Group.

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

Mr. Schubert Chong worked in Price Waterhouse Hong Kong (now known as PricewaterhouseCoopers Hong Kong) as a staff accountant mainly responsible for reviewing clients' accounts from November 1991 to February 1992. Mr. Schubert Chong worked as the general manager in Commonwill Industrial (Matsutake) Limited, the principal business of which are trading and provision of restaurant operating consultation services from July 1994 to September 2005, during which he was mainly responsible for setting up the business operation logistics, distribution channel for the import and export of vegetables, managing the financial performance of the company. Mr. Schubert Chong joined our Group in August 1999 as a director of Ahsay HK while his involvement was not active. He became the chief executive officer and the finance director of Ahsay HK since October 2005. He has been responsible for overseeing the overall operation and finance performance of the Group. From January 2002 to October 2005, he was an independent non-executive director and the chairman of the audit committee of Timeless Software Limited (Stock Code: 8028), a company listed on GEM. Mr. Schubert Chong has been serving as a committee member of Yau Tsim Mong District Youth Programme Committee (油尖旺區青年活動委員會) and The Chinese General

Chamber of Commerce (香港中華總商會選任會董) since April 2021 and October 2018, 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 King Fan (莊景帆), aged 75, 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. Upon his retirement as the chairman of our Board on 6 September 2021, he continued to act as an executive Director of our Group. 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 the trading of dyestuff and chemicals, the provision of management services and property investment. He was mainly responsible for the 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. He acted as a vice chairman of the Industrial Chemical Merchants Association Limited from 2013 to February 2016 and he has been a director since 2017. He has been an honorary director of Kowloon West Chaoren Association Limited since 2009 and acted as a vice chairman from 2013 to January 2015. He has been a vice chairman and an honorary consultant of Hong Kong Chongqing Friendship Federation Limited from 2013 to 2016 and he has been an executive committee member since 2017. Mr. Chong King Fan has also established his community network. He served as a director of the General Association of Kowloon District Affairs Consultants Limited since February 2010 and became an honorary chairman since May 2015. He has held various positions in the Federation of Sham Shui Po District Affairs since June 1998, including acting as an executive committee member and a chairman.

Mr. Chong King Fan was an advisor to the Hong Kong District Affairs under the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (previously known as Xinhua News Agency Hong Kong Branch), and was a committee member of the Chongqing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議重慶市委員會). He is the spouse of Mrs. Chong, a Controlling Shareholder, the father of Mr. Schubert Chong, Mr. Scherring Chong and Ms. Chong Siu Fan, Directors, and the uncle 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 (莊小雰) ("Ms. Monita Chong"), aged 50, previously appointed as a non-executive Director on 9 June 2015, was re-designated as executive Director of the Company and was appointed as the marketing director of KINTIPS from July 2016 to July 2021. On 16 July 2021, she has been re-designated as a non-executive Director.

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 the provision of restaurant operating consultation services, from July 1994 to February 2005, during which she was mainly responsible for supervising the export and import of vegetables and managing the overall operation of a restaurant. Ms. Monita Chong joined us as a sales director in March 2005 and was mainly responsible for overseeing the sales operation of our Group. She has been a Microsoft Certified Professional, a certification awarded by Microsoft Corporation that validates IT professional and developer technical expertise, since May 2008.

Ms. Monita Chong is the daughter of Mr. Chong King Fan, the younger sister of Mr. Schubert Chong, the elder sister of Mr. Scherring Chong, the daughter of Mrs. Chong, a Controlling Shareholder, and the cousin of Mr. Chong Kam Fung, the company secretary of our Company and the finance director of Ahsay HK.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wong Cho Kei Bonnie (黃楚基) ("Mr. Bonnie Wong"), aged 54, is an independent non-executive Director appointed on 4 September 2015. Mr. Bonnie Wong is responsible for providing independent advice to the Board of our Group. Mr. Bonnie Wong obtained a Bachelor of Science in Biomedical Engineering from Boston University, the United States, and a Master of Engineering (Electrical) from Cornell University, the United States, in May 1990 and August 1991 respectively.

Mr. Bonnie Wong has over 10 years of experience in business strategies and corporate management. Mr. Bonnie Wong has been serving as the managing director of Wah Fu Petroleum Co Ltd, the business of which includes the wholesale distribution of petroleum and petroleum products, since May 2009 where he is mainly responsible for overseeing the financial performance and implementing business strategies of the company. Since December 2014, Mr. Bonnie Wong has been the director of Chuan Chiong Co Ltd., which is involved in the trading and wholesale of proprietary Chinese medicine, food product and tea, where he is involved in the determination of the company's strategic objectives and policies and monitoring the overall achievement.

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

Ms. Wong Pui Man (黃佩文) ("Ms. Wong"), aged 50, is an independent non-executive Director appointed on 4 September 2015. Ms. Wong is responsible for providing independent advice to the Board of our Group. Ms. Wong obtained the Bachelor of Business Administration in Information and Systems Management from The Hong Kong University of Science and Technology in November 1996. Ms. Wong received her Bachelor of Chinese Medicine from Hong Kong Baptist University in November 2009. Ms. Wong holds the Practising Certificate for Registered Chinese Medicine Practitioner and is a registered Chinese medicine practitioner. Ms. Wong has been running her own Chinese medicine clinic since July 2017.

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

Mr. Wong Yau Sing (黃有成) ("Mr. Wong"), aged 72, 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 attending to all corporate, financial and legal matters. He was a practising Certified Public Accountant (CPA) in Y.S. Wong & Co. and the sole proprietor from May 1994 to March 2012 where he acted as auditors and tax representatives of various clients.

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

SENIOR MANAGEMENT

Mr. Chong Kam Fung (莊金峰), aged 43, is the company secretary and finance director of our Company, and the finance director of Ahsay HK. Mr. Chong Kam Fung joined Ahsay HK as the finance director in March 2015. Mr. Chong Kam Fung is primarily responsible for the overall corporate financial matters, capital management, investor relations, corporate governance, company secretarial and the strategic planning of our Group.

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

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

Mr. Chong Kam Fung has been appointed as independent non-executive director of Ling Yui Holdings Limited (stock code: 784), since December 2017 and served as non-executive director of Hao Bai International (Cayman) Limited (stock code: 8431) and Basetrophy Group Holdings Limited (stock code: 8460) from June 2016 to May 2018 and from June 2017 to August 2021 respectively.

Mr. Lo Ho Chuen Kenneth (盧浩存) ("Mr. Lo"), aged 54, has been promoted to director of sales and customer success of Ahsay HK since August 2018. Mr. Lo joined Ahsay HK in January 2017 and was the customer service director. He is responsible for overseeing the operation and service quality of the customer service team and global sales operation of the Group.

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

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

Mr. Ip Wai Chung (葉衛忠) ("Mr. Ip"), aged 48, is the information technology director of Ahsay HK. Mr. Ip joined Ahsay HK as internet application programmer in September 2000. He was subsequently promoted to partner services manager, software development manager, senior software development manager and associate information technology director in July 2006, January 2008, January 2010 and January 2013 respectively. Mr. Ip was further promoted to information technology director in January 2017 where he is responsible to oversee the software development, business support & productivity of products.

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

The Directors of the Company present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the principal activities of the subsidiaries are set out in note 33 to the financial statements.

RESULTS

The results of the Group for the year ended 31 December 2022 and the state of affairs of the Group at that date are set out in the financial statements on pages 51 to 107.

DIVIDEND POLICY

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

- the Group's actual and expected financial performance;
- shareholders' interests;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- the level of the Group's debts to equity ratio, return on equity and financial covenants to which the Group is subject;
- possible effects on the Group's creditworthiness;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- statutory and regulatory restrictions;
- general business conditions and strategies;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

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

The Board does not recommend the payment of any dividend for the year ended 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2022, neither the Company, nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

Under the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is available for distributions or paying dividends to the shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of share premium unless, immediately following the date on which the distribution or dividend is proposed to be paid, the Company shall be able to pay its debts as they fall due in the ordinary course of the business.

In the opinion of the directors, the Company's reserves available for distribution as at 31 December 2022 amounted to HK$59,419,000 (FY2021: HK$59,576,000).

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, sales attributable to the Group's largest customer and five largest customers accounted for approximately 5% and 13% 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 2022.

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

DIRECTORS

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

Executive Directors

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

Non-Executive Director

Ms. Monita Chong

Independent Non-Executive Directors

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATIONS OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACT AND LETTER OF APPOINTMENT

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 32 to the consolidated financial statements and the section headed "Related Party Transactions" in this annual report, there was no transaction, arrangement or contract of significance in relation to the Group's business to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

At no time during the year ended 31 December 2022 and up to the date of this Directors' Report, there was or is, any permitted indemnity provision being in force for the benefit of any of the Directors of the Company (whether made by the Company or otherwise), or an associated company (if made by the Company).

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

SHARE OPTION SCHEME

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

(a) Purpose of the Share Option Scheme

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

(b) Who may join

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

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

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

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

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

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

(d) Maximum number of shares

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

(e) Maximum entitlement of each Participant

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

(f) Time of acceptance and exercise of option

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

(g) Minimum Period

The Board may at its discretion determine the minimum period for which an option has to be held or restrictions before the exercise of the subscription right attaching to an option.

(h) 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.

(i) 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 2022.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2022 are disclosed in note 32 to the financial statements. Transaction constituted connected transaction under the GEM Listing Rules is identified below:

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

Connected Transaction

On 12 November 2021, Ahsay Systems Corporation Limited ("Ahsay HK"), as tenant, entered into the Office Premises Tenancy Agreement with Assets Sino Investments (HK) Limited ("Assets Sino HK"), as landlord, in respect of the properties located at 28/F and car parking space number P5 on 2/F of Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong (the "Office Premises") for a term of 2 years commencing from 1 January 2022 to 31 December 2023 with an option to renew for a further term of one year from the expiration of the term of the Renewal Tenancy Agreement at a monthly rent of HK$210,000, exclusive of government rent, rates, management fee, utilities and other service charges. During the year ended 31 December 2022, the aggregate amount of rentals paid by the Group to the landlord were HK$2,520,000.

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.

An independent valuer has conducted valuations of the Office Premises. The result of such valuations confirmed that the rental charge of the Renewal Tenancy Agreement is in line with the market rent and reflect the prevailing market rate of comparable properties with valuation date of 8 October 2021.

The INEDs of the Company have reviewed the connected transaction and confirmed that the Renewal Tenancy Agreement 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 HKFRS 16 Leases, the Office Premises leased under the Renewal Tenancy Agreement would be recognised as right-of-use assets, and the transaction contemplated under the Renewal Tenancy Agreement would be recognised as the acquisition of right-of-use assets with the aggregate consideration of approximately HK$6,920,000 which constituted a discloseable transaction and a connected transaction of the Company under Chapter 19 and Chapter 20 of the GEM Listing Rules respectively.

For details of the lease transaction, please refer to the announcement of the Company dated 12 November 2021.

The Company confirms that the connected transaction as disclosed above fall under the definition of connected transaction 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 2022, 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 has taken or deemed to have under such provisions of the SFO); or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, required to be notified to the Company and the Stock Exchange, were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 December 2022, the Company had 2,000,000,000 Shares in issue.

2. As at 31 December 2022, All Divine Investments Limited ("All Divine") held a long position of 1,500,000,000 Shares, representing 75% of the issued Shares. All Divine is wholly owned by Able Future Investments Limited (''Able Future") which is owned by Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong as to 40%, 30% and 30%, respectively. By virtue of the SFO, Mr. Chong King Fan, who is the spouse of Mrs. Chong Li Sau Fong, Mr. Schubert Chong and Mr. Scherring Chong are deemed to be interested in the Shares held by All Divine.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as required to be recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions in Shares

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

Notes:

1. As at 31 December 2022, the Company had 2,000,000,000 Shares in issue.

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

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

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

Save as disclosed above, as at 31 December 2022, the Company has not been notified by any persons (other than the Directors or Chief executive of the Company) who had an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

CORPORATE GOVERNANCE CODE

The Board is satisfied that the Company has complied with all the code provisions set out in Corporate Governance Code and Corporate Governance Report ("CG Code") as contained in Appendix 15 to the GEM Listing Rules, that the Company adopted as its own code of corporate governance, from the date of Listing to 31 December 2022.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN COMPETING BUSINESS

For the year ended 31 December 2022, the Directors were not aware of any business or interest of the Directors, the Controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflicts of interests which any such person has or may have with the Group.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group recognises the importance of compliance with regulatory requirements and the risk of non-compliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Company. To the best knowledge of the Board, the Group was unaware of any material non-compliance with relevant laws and regulations during the year ended 31 December 2022.

KEY RELATIONSHIPS WITH EMPLOYEES

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

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

KEY RELATIONSHIPS WITH CUSTOMERS

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

KEY RELATIONSHIPS WITH SUPPLIERS

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

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in note 35 to the consolidated financial statements, the Group had no other material event after the reporting period.

AUDITORS

The financial statements for the year ended 31 December 2022 were audited by Ernst & Young who will retire as the auditors of the Company and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Chong Siu Ning
Chairman

Hong Kong
17 March 2023

CORPORATE GOVERNANCE PRACTICES

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

- the Group is well-committed to maintaining good corporate governance practices and procedures; and
- the Group recognises the need to adopt practices that would help improve the Group continuously and to achieve quality management.

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

The Group has applied the principles and adopted all code provisions, where applicable, of the Corporate Governance Code ("CG Code") as set out in Appendix 15 to GEM Listing Rules as its own code of corporate governance. The Directors consider that the Group has complied with all the code provisions as set out in the CG Code throughout the year ended 31 December 2022.

The Group has further adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. In response to specific enquiry made by the Company, each of the Directors gave confirmation that he/she has complied with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the year ended 31 December 2022.

The Group believes through the operation of an effective Board, sound internal controls, and accountability to Shareholders, the Group is able to maximise the value of all Shareholders. The following summarises the corporate governance practices adopted and observed by the Group during the year ended 31 December 2022.

BOARD OF DIRECTORS

Board Composition

As at 31 December 2022 and as at the date on which this annual report is approved, the Board comprises three executive Directors, one non-executive Director and three Independent Non-Executive Directors 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. Scherring Chong *(Chairman)*
Mr. Schubert Chong *(Vice Chairman and Chief Executive Officer)*
Mr. Chong King Fan

Non-Executive Director

Ms. Monita Chong

Independent Non-Executive Directors

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

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

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

Term of Appointment and Re-election

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

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

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

Board Meetings

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

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

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

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

During the year ended 31 December 2022, five Board meetings (excluding committee meetings) were held and attendance of each Director is set out below.

Name of Director	Attendance
Executive Directors	
Mr. Scherring Chong	5/5
Mr. Schubert Chong	5/5
Mr. Chong King Fan	4/5
Non-Executive Director	
Ms. Monita Chong	5/5
Independent Non-Executive Directors	
Mr. Wong Cho Kei Bonnie	5/5
Ms. Wong Pui Man	5/5
Mr. Wong Yau Sing	5/5

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

Directors are provided with monthly updates on internal unaudited financial information so as to give them a balanced and understandable assessment of the Group's performance, position and prospects. All Directors gave sufficient time and attention to the affairs of the Group to ensure a competent Board operation during the year ended 31 December 2022.

Directors' Continuous Training and Professional Development

In compliance with the code provision A.6.5 of the Code, all Directors shall participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. During the year ended 31 December 2022, the Directors were provided with timely updates on the Company's performance, financial position and prospects to enable the Board as a whole and each Director to discharge their duties.

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

Delegation by the Board

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

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

Directors' Work Commitments Outside the Group

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

Directors' Liability Insurance

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

BOARD COMMITTEES

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

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

Remuneration Committee

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

The Remuneration Committee considers and recommends to our Board the remuneration and other benefits paid by us to our Directors and senior management. The remuneration of all our Directors and senior management is subject to regular monitoring by our Remuneration Committee to ensure that levels of their remuneration and compensation are appropriate. From 2023 onwards, the Remuneration Committee will also review the Share Option Scheme and other share schemes (if any) of the Company on annual basis. During the year ended 31 December 2022, since there was no share option granted under the Share Option Scheme, no material matter relating to the share option scheme has been reviewed by the Remuneration Committee.

During the year ended 31 December 2022, one meeting of the Remuneration Committee was held to review the structure and policy of remuneration of the Group and approve the remuneration package of Directors and senior management. The emoluments of the Directors are reviewed by the Remuneration Committee according to the Directors' respective responsibilities, individual performance and prevailing market conditions. The individual attendance record of each Remuneration Committee member is as follows:

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

Nomination Committee

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

The Nomination Committee considers and recommends to the Board suitable and 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 INEDs possess professional knowledge in corporate finance and accountancy with broad and extensive experience in business advisory and management, brand building and marketing, respectively. Further details of the Directors are set out in the section headed "Directors and Senior Management" in this report. The Group is of the view that the current Board composition represents an appropriate balance for the requirements of the business development of the Company and for effective leadership.

Where vacancies on the Board arise, the Nomination Committee will carry out the selection process in accordance with the Group's policy by making reference to the above perspectives of the proposed candidates which suit the Group's requirements. The Nomination Committee will recommend to the Board for the appointment of a Director in accordance with the following procedures and process:

(a) The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) The Nomination Committee may consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from an independent agency firm and proposals from shareholders of the Company with due consideration given to the criteria which include but are not limited to:

    (i) Diversity in aspects including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how;

    (ii) Sufficient time to effectively carry out their duties; their services on other listed and non-listed companies should be limited to reasonable numbers;

    (iii) Qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in;

    (iv) Independence;

    (v) Reputation for integrity;

    (vi) Potential contributions that the individual(s) can bring to the Board; and

    (vii) Commitment to enhance and maximize shareholders' value;

(c) The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) The Board will have the final authority on determining the selection of nominees and all appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the Companies Registry of Hong Kong.

During the year ended 31 December 2022, no new Director was appointed.

During the year ended 31 December 2022, one meeting of the Nomination Committee was held to review the structure, size, composition and diversification (including the skills, knowledge and experience) of the Board, and review the policy of Directors' nomination related matters, assess the independence of INEDs and make recommendations to the Board on the proposal of re-appointment of Directors at the forthcoming annual general meeting. The individual attendance record of each Nomination Committee member is as follows:

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

Audit Committee

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

The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process, relationship with its external auditor and internal control systems and to provide advice and comments to the Board.

During the year ended 31 December 2022, four meetings of the Audit Committee were held to review the quarterly, interim and annual consolidated financial statements, including the Group's adopted accounting principles and practices, internal control systems and financial reporting matters (in conjunction with the external auditors for the audited results). The Audit Committee endorsed the accounting treatments adopted by the Company and, to the best of its ability assured itself that the disclosures of the financial information in the Company's quarterly, interim and annual report comply with the applicable accounting standards and the GEM Listing Rules. The individual attendance record of each Audit Committee member is as follows:

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

The Group's unaudited quarterly and interim results and audited annual results published for the year ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Risk Management Committee

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

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

During the year ended 31 December 2022, two meetings of the Risk Management Committee were held to review the Group's risk management policies and standards and supervise and monitor our Company's exposure to International Sanctions risks. The individual attendance record of each Risk Management Committee member is as follows:

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

Board Diversity Policy

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

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

Chairman and the Chief Executive Officer

During the year ended 31 December 2022, Mr. Scherring Chong has been acting as the chairman of the Board who is responsible for enabling effective operation of the Board and Mr. Schubert Chong has been acting as the chief executive officer of the Group who is responsible for the day-to-day management of the Group's business. Their roles were clearly defined and segregated to ensure balanced power and responsibilities. Mr. Scherring Chong is the younger brother of Mr. Schubert Chong.

COMPANY SECRETARY

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

During the year ended 31 December 2022, the Company's company secretary has undertaken not less than 15 hours of relevant professional training as required under Rule 5.15 of the GEM Listing Rules. The Company did not engage an external service provider as its company secretary.

AUDITORS' AND AUDITORS' REMUNERATION

Directors' and Auditors' Responsibilities for the Financial Statements

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

The statements of the external auditors of the Group, Ernst & Young, about their reporting responsibilities on the financial statements of the Group are set out in the section headed "Independent Auditor's 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 2022, the fees paid/payable to the auditors and their affiliate companies in respect of the audit and non-audit services are as follows:

Services	HK$'000
Ernst & Young	
Audit service	855
Non-audit service (note 1)	233

Notes:

1. For the year ended 31 December 2022, the Group has engaged the auditors and their affiliate companies to provide non-audit services which include the review of the Group's interim financial statements and the review of the Group's internal control system.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2022, there was no significant change in the constitutional documents of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

The Board, through the Risk Management Committee and the Audit Committee, has conducted annual review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022, covering the material financial, operational and compliance controls, and considered the Group's risk management and internal control systems effective and adequate.

The senior management of the Group updates and reports the key risk areas, including any remedial plans, if deemed necessary or appropriate, to the Risk Management Committee for consideration. The identified key risks areas and the appropriate risk mitigation strategies were reviewed and commented by the Board at its year-end meeting. The principal risks and uncertainties of the Group are set out in on page 5 of this annual report.

For the year ended 31 December 2022, the Group did not have an internal audit department as required under D.2.5 of the CG Code, but it has engaged an external consultant to review the Group's risk management and internal control systems based. The Board will review and consider to establish such department as and when it thinks necessary.

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

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

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

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

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

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

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

SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

Investor Relations and Communications with Shareholders

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

The Board strives to encourage and maintain constant dialogue with its Shareholders through various means. The Company updates its Shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The website of the Company has provided an effective communication platform to the public and the Shareholders. During the annual general meeting held on 6 May 2022, all Directors attended the meeting and met the Shareholders.

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

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

Procedures for Shareholders to Convene an Extraordinary General Meeting

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

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

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

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

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

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

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

NON-COMPETITION UNDERTAKINGS BY CONTROLLING SHAREHOLDERS

Each of the Controlling Shareholders has made an annual declaration to the Company that during the year ended 31 December 2022, it has complied with the terms of non-compete undertakings ("Non-Compete Undertakings") given in favour of the Company which are contained in the Deed of Non-Competition Undertaking. Details of the Non-Compete Undertakings are set out in the section headed "Relationship with Our Controlling Shareholders" of the Prospectus.

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

The Company's board of directors ("Board") is pleased to present this Environmental, Social and Governance ("ESG") Report (the "Report") of Ahsay Backup Software Development Company Limited (the "Company") and its subsidiaries (collectively the "Group"). The Group aims to disclose the overall policies, commitments and strategies on the sustainable development of the Group.

Reporting Period

Unless otherwise specified, this Report covers our progress and performance on sustainability during the 2022 financial year, from 1 January 2022 to 31 December 2022.

Reporting Boundary

Unless otherwise specified, the reporting scope of this Report is the same as our 2021 Annual Report covering the Company and all of its subsidiaries. The reporting principles of "Materiality", "Quantitative", and "Consistency" as set out in the ESG Reporting Guide located in Appendix 20 to the GEM Listing Rules published by The Stock Exchange of Hong Kong Limited ("HKEX") (the "Guide"), underpin the preparation of this Report.

Reporting Principles

In line with the Guide, the Report has applied the following principles:

Materiality: In order to identify and assess major issues that have an impact on business stakeholders, we have performed materiality assessment by interviewing and conducting surveys with stakeholders to determine factors that have a significant impact on the sustainable development of the Group.

Quantitative: The Report would perform annual performance comparison with suitable quantitative data recorded and estimated by relevant departments of the Group when applicable. In the reporting of emissions and energy consumption, relevant standards, methodologies, assumptions, and conversion factors are disclosed.

Balance: This Report provides an unbiased picture of our environmental and social performance.

Consistency: The Group adopts consistent methodologies when preparing the Report and the environmental and social KPIs to allow for meaningful comparisons over time.

BOARD STATEMENT

The Group believes that sound ESG performance is critically important to the sustainable development of its business and community and the Group is committed, not only to achieving strong financial results, but also to promoting environmental protection, social responsibility and effective corporate governance for its long term growth. We also integrate different environmental and social considerations into our daily operation to ensure full compliance with regulatory requirements and reduce our environmental and social impacts.

The Board directly supervises ESG matters and is responsible for formulating and implementing management strategies, and receiving updates from the ESG working group on key ESG matters and decisions. Our ESG working group is composed of the heads of various departments. Its main responsibilities are to implement and execute relevant ESG policies and measures, and to collect relevant data for report disclosure. The members of the ESG working group have a good understanding of our business and operations. The ESG working group will also check and evaluate the Company's performance in different aspects, such as environment, employment, health and safety, labor standards, product responsibilities to ensure the effective implementation of ESG work.

The Group values its stakeholders and their feedback regarding the business and ESG aspects. We conducted interviews and surveys for the management, internal and external stakeholders of the Group to understand their views on the sustainable development of the Group.

STAKEHOLDER ENGAGEMENT

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

Stakeholder Group Engaged		Engagement Channels
Internal stakeholders	Management	— Regular meetings
	Employees	— Regular meetings — Annual appraisal meetings — Intranet and emails
External stakeholders	Investors and shareholders	— Annual general meetings — Annual, interim and quarterly report — Press releases and announcements
	Customers and business partners	— Company website and social media — Email and customer service hotline — Visits and meetings
	Public and communities	— Information disclosure on the website of HKEX and the Company

MATERIALITY ASSESSMENT

We previously performed a materiality assessment by interviewing and conducting surveys with stakeholders including our senior management, employees and etc. to score each sustainability issue according to its materiality to business operations in order to understand the priority of different ESG issues in our business. The key material ESG issues raised by the stakeholders mainly focused on social aspects. On the other hand, environmental aspect was considered less relevant to the Group. Based on the stakeholders' feedback, the issues in social aspects were identified as follows:

- Employment
- Health and Safety
- Development and training
- Labour Standards
- Product Responsibility
- Anti-Corruption
- Community Investment

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

OUR GOALS

Goals	Material issue	Relevance to the business
People-oriented	• Employment • Health and Safety • Development and training	Human capital is the most valuable asset of the Group as a software development company. We respect the labour rights and promote diversity in the workplace. We stipulate the Employee Handbook clearly as our policy relating to human resources. We also strive to reach the goal of zero accident and provide employees a healthy working environment. Development and training are important for both employees and the Group to have long-term and substantiable development.
Strict compliance with laws and regulations	• Labour Standards • Anti-Corruption	Ensuring the Group's business operations to comply with applicable laws and regulations is essential to all industries. We are also against any bribery or corrupt practices among our staff and in business operations.
Quality assurance	• Product Responsibility	We strive for maintaining the high quality and standards of our developed products in order to meet customers' requirements and enhance their experience.
Rewarding society	• Community Investment	We believe that our business growth is closely related to the surrounding communities and environment. We would provide resources and contributions within our capacity for community investment.
Environmental protection	• Climate change and GHG emissions	Our core operations are confined to the office environment. The impact of the Group on the environment is not significant. The Group will continue to make assessment and minimise the environment impact.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMMUNITY INVESTMENT

The Group carries out local community engagement and community activities based on local communities' needs. During the year ended 31 December 2022, the Company joined "Dress Red for Thalassaemia" organized by Children's Thalassaemia Foundation on 25 November to support Thalassemia patients who needs blood transfusions, and to fund their daily medical expenses and improve their quality of care. During the fund-raising period, 43 of our employees participated and raised a total of $5,000 donation to the said program.

EMISSIONS

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

	2022	2021
Indirect emissions (Scope 2) CO_2 emissions from electricity generation (kgs) (Note)	**117,178**	127,447
Indirect emissions (Scope 2) per floor area (kgs/m^2)	**80.8**	87.9
per employee (kgs/employee)	**1,605.2**	1,287.3

Note:
The Group estimated its GHG emissions for the reporting period through calculation with relevant methodology, and with data available on electricity consumption and emission factor from invoices and references to third parties documents (including electricity consumption data, and carbon intensity factor that are available on bills and sustainability reports from electricity provider or local government respectively).

Taking into account the improvement in the pandemic situation, the special working arrangement was ended in May 2022 compared with the full year adoption in 2021, as such, direct comparison data is not available.

The Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. Conservation of the environment is a key focus for the Group. The Group complies with environmental legislation, encourages environmental protection and promotes environmental protection awareness to all employees. The Group has implemented a number of measures such as reducing carbon emissions, increasing energy efficiency and conserving water resources in order to deliver on our commitment to environmental protection. The Group has launched a number of waste management programs, including recycling of glass, paper and metal. Paper waste is our major source of non-hazardous waste in the office. We have promoted a paperless work environment to reduce paper waste. The Group did not find any records of significant waste disposal at landfills during the year ended 31 December 2022.

During the year ended 31 December 2022, the Group was not aware of any material non-compliance with relevant laws and regulations, including but not limited to the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong) that have a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

USE OF RESOURCES

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

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

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

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

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

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

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

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

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

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

With the Group operating its core backup business and information platform via the internet, the use of resources mainly include the indirect energy consumption from electricity, water and paper consumption. The finished products of the Group do not require packaging, and as such, data relating to packaging materials is not available.

Taking into account the improvement in the pandemic situation, the special working arrangement was ended in May 2022 compared with the full year adoption in 2021, as such, direct comparison data is not available.

The summary of the use of resources are as follows:

(1) Energy consumption

Indicators	2022	2021
Total energy consumption (kWh)	**276,943**	302,514
Total energy consumption per floor area (kWh/m^2)	**190.9**	208.5
per employee (kWh/employee)	**3,793.7**	3,055.7

(2) Water consumption

Indicators	2022	2021
Total water consumption (m^3) (Note)	**216**	162
Total water consumption per floor area (m^3/m^2)	**0.2**	0.1
per employee (m^3/employee)	**3.0**	1.7

Note:

Water consumption of our office in South Korea is not included as measurement was not possible. For example, we are billed at a fixed rate in South Korea by the building. Intensity calculation hence does not include our South Korea office.

(3) Paper consumption

Indicators	2022	2021
Total paper consumption (Reams)	**83.0**	127.1
Total paper consumption per employee (Reams/employee)	**1.1**	1.3

THE ENVIRONMENT AND NATURAL RESOURCES

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

CLIMATE CHANGE

The changing climate crisis will bring lots of challenges for both society and business. Almost all industries are threatened by the effects of climate change. The Group strives to put forward environmental conservation and raise environmental awareness of our employees. In an effort to reduce carbon footprint and emissions, the Group actively monitors the energy consumption intensity across its operations from time to time to identify ways to increase the efficient use of energy and the reduction of GHG emissions. As a software development company, human resources is the main concern of the Group. We have assessed the risks of climate change and adopted appropriate measures to safeguard the safety of our employees against extreme weather events. The Employee Handbook sets out the adverse weather arrangement relating to typhoon and rainstorm warnings.

EMPLOYMENT

The Group has established and implemented the "Employee Handbook", which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits as well as welfare for our employees in accordance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labor Code of the Philippines, the Labor Standards Act of the Republic of Korea and other applicable laws. The Group also aims to promote diversity in the workplace, including diversity in age group, gender and nationality, as well as a culture of equal opportunity. Our management regularly reviews the Group's remuneration policy in relation to relevant market standards. To retain and motivate our talents, we offer competitive remuneration, which is reviewed annually based on the staff work performance appraisal procedures. We offer full-time employees other fringe benefits such as medical insurance coverage and annual leave benefits as per our annual leave policies, which are documented in the Employee Handbook, and employees' leave entitlement is also clearly documented therein. The Group strictly complies with the above said relevant standards, rules and regulations. For the year ended 31 December 2022, the Group was not aware of any material non-compliance with relevant standards, rules and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working days and hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

As of 31 December 2022, the Group's total number of staffs was 73 (2021: 99). The following is the employee structure of the Group:

	2022	2021
Number of employees		
By gender		
Male	**50**	68
Female	**23**	31
By age group		
Below 30	**23**	46
30 to 50	**45**	48
Over 50	**5**	5
By employment type		
Permanent	**73**	99
Contract/Part-time	**–**	–
By region		
Hong Kong	**41**	49
Philippines	**30**	48
South Korea	**2**	2
Employee turnover rate		
Total turnover rate of employee	**56%**	66%
By gender		
Male	**58%**	68%
Female	**52%**	61%
By age group		
Below 30	**83%**	72%
30 to 50	**47%**	65%
Over 50	**20%**	20%
By region		
Hong Kong	**27%**	65%
Philippines	**100%**	69%
South Korea	**–**	–

Note:

Employee turnover rate = number of employees who left employment in the reporting year / number of employees at the end of the reporting year. Employee turnover reflects the number of employees who left employment voluntarily or due to dismissal, retirement or death in service.

HEALTH AND SAFETY

Health and safety are the most pressing concern across our business operations as human capital is the most valuable asset of the Group. Developing and retaining talent is vital to our success. The Group is committed to providing its employees with a safe, pleasant and healthy working environment. As at 31 December 2022, the principal office and representative office of the Group are located at 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Kowloon, Hong Kong with a gross floor area of approximately 10,377 square feet and 24C&D, 24th Floor, Chatham House, No. 116 Corner Valero & Rufino Street, Salcedo Village, Makati City, Philippines with a gross floor area of approximately 4,497 square feet.

Due to the COVID-19 pandemic, we adopted special working arrangements to allow our employees to work from home to minimize social gathering and adopted a rotation roster for employees who request to work in office to reduce the chances of infection in the Philippines for the first half of 2022. Taking into account the improvement in the pandemic situation, employees in the Philippines began returning to the office in June 2022. We have continued to implement infection preventive measures, such as daily body temperature measurement, providing sufficient surgical masks and alcohol-based hand rub in all offices to protect the health and safety of our employees. Employees were required to wear masks in office area at all times and to attend meetings via online video meeting software to avoid face to face contact and overseas business trips.

To provide employees with a safe working environment, a long lighting system has been installed in the office area. Illuminated signs bearing the symbols of exit direction to leave the workplace at each doorway to provide exit guidance to our employees are conspicuously placed during emergency especially in the event of a fire. Fire drills are carried out at regular intervals to demonstrate escape routes and provide sufficient training to employees on fire safety. Each case of injury, is required to be reported to the Human Resources Department and be individually assessed under the internal guideline procedures.

Occupational Health and Safety Data	**2022**	2021	2020
Number of work injury cases	**0**	0	0
Number of work-related fatalities	**0**	0	0
Lost days due to work injury	**0**	0	0
Rate of work-related fatalities	**0**	0	0

The Group also provides a designated private space in the office building to accommodate the needs of breastfeeding female employees. The implementation of such "Breastfeeding Friendly Workplace" measure demonstrate the Group's commitment to the wellbeing of its female employees and their families.

Regular inspections and management review of health and safety have been performed to ensure the effectiveness of the policies and measures. During the year ended 31 December 2022, the Group was not aware of any material non-compliance with the Group's Occupational Safety and Health Policy.

DEVELOPMENT AND TRAINING

The Group strives to promote the long-term development of its employees by providing learning opportunities that would help broaden their skills set and allow them to further contribute to the success of the Group. Each department of the Group is responsible for determining the training needs of its employees. Any suggested applicable training courses 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 the continuous business growth and success of the Group. The Group ensures that all employees can fulfill the relevant requirements of their job duties in terms of education, training, technical and work experience. The Group also provides subsidies for continuing education where all permanent employees are entitled to annual funding for continued learning. The Group provides subsidies for further studies and examinations up to a maximum amount of HK$5,000 per employee each calendar year.

	2022	2021
Percentage of employees trained by employee category and by gender		
Senior management	–	6%
Middle management	**10%**	18%
Non-management	**91%**	76%
Male	**57%**	63%
Female	**43%**	37%
Average training hours per employee by employee category and by gender		
Senior management	–	1.7
Middle management	**0.7**	2.8
Non-management	**2.3**	5.2
Male	**1.5**	3.9
Female	**2.0**	5.7

Note: The above represents the training provided or subsidised by the Group.

LABOUR STANDARDS

Employment of staff by the Group must comply with the Employment Ordinance in Hong Kong, The Labor Code of The Philippines and Labor Standards Act of the Republic of Korea. The Group strictly complied with the relevant rules and regulations for the year ended 31 December 2022. The Group has a zero tolerance policy towards the use of forced labor and child labor in our business operations and regularly reviews the overall employment practices to avoid any potential violations or irregularities. Each employee is required to fill in a resume upon joining the Group. Should the employee falsify their identity or provide false personal particulars, the said employee would be considered to have committed a serious breach of the Group's rules and regulations and the Group will terminate employment according to the employment contract. Moreover, the Group regularly monitors information and data related to employment to prevent non-compliance with rules and regulations especially in relation to preventing child and forced labour.

SUPPLY CHAIN MANAGEMENT

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 2022. Nevertheless, the Group will continuously assess the business operation of the Group and reduce any possible negative impact of its business operations on the environment and society.

PRODUCT RESPONSIBILITIES

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

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

	2022	2021
Number of products and service related complaints received	**15**	4

During the year ended 31 December 2022, all complaints were properly handled and the Group was not aware of any material non-compliance with the relevant standards, rules and regulations. No products were subject to recalls for safety and health reasons during the year ended 31 December 2022.

The Group is aware of the importance to protect intellectual property rights. The IT Department is responsible for obtaining proper licenses for software, hardware and information the Group uses in its business operation. The Group also closely monitor the infringement actions in the market and regularly monitors its business operation to ensure that intellectual property rights are not being infringed upon. During the reporting period, there was no material infringement of any intellectual property rights by the Group.

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

ANTI-CORRUPTION

The Group does not tolerate any form of corruption relating to bribery, extortion, fraud and money laundering. The Code of conduct on security of information & records (the "Code of Conduct") is clearly defined and included in the "Employee Handbook". Employees are required to take all reasonable care to safeguard the security of the Group's confidential information, and should not disclose the Company's activities, policies and operations without prior approval. Employees are required to adhere to the Code of Conduct and are prohibited to accept gifts and minor refreshments from any person who has an influence on the employee's business behavior. The Group has also established policies and procedures to deal with such corrupted practices or misconduct in its operation. The Group has whistleblowing procedures, encouraging employees to report any misconduct and dishonest behavior, such as bribery, fraud and other offences. The whistleblowing report received is directly escalated to the Chairman of the Group or the members of the Audit Committee via email. To prevent any retaliation against whistleblowers and to maintain the effectiveness of the mechanism, we treat every whistleblowing case with confidentiality and sensitivity. During the year ended 31 December 2022, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations such as the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). Also, there were no complaints or reports of any corruption or misconduct received in relation the Group or any of its staff.

Independent Auditor's Report

TO THE SHAREHOLDERS OF 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)

Opinion

We have audited the consolidated financial statements of Ahsay Backup Software Development Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 51 to 107, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition	
During the year, the Group had certain bundled transactions under contracts with customers, covering the sale of software license rights packaged with free upgrades and maintenance services. Revenue recognition of such transactions involved significant judgements and estimates including the identification of performance obligations, such as including the software license right and upgrades and maintenance service elements in the contracts, and the allocation of the total transaction price to each performance obligation in the contracts. If the stand-alone selling price of a software license right is not directly observable, the Group may estimate the stand-alone selling price using the residual method by reference to the total transaction price less the sum of the observable stand-alone selling prices of other goods or services promised in the contract if certain requirements are met. The related disclosures about significant accounting judgements and estimates are included in note 4 to the consolidated financial statements.	Our key audit procedures included, among others, the following: (i) obtaining an understanding of, assessing, and testing on a sample basis the Group's processes and key controls over recognising revenue from bundled transactions under contracts with customers, covering the sale of software license rights packaged with free upgrades and maintenance services, the identification of product and service elements and the determination of the relative stand-alone selling prices; (ii) evaluating the judgements and estimates made by the management in applying the residual method and assessing on a sample basis the validity of the observable stand-alone selling prices; (iii) re-performing management's allocation of transaction price to each performance obligation using the residual method; and (iv) engaging internal IT specialists to perform testing on a sample basis of the Group's relevant IT general controls and relevant IT application controls in relation to revenue recognition, including automated system calculations and system enforced access controls.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

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

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

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

The engagement partner on the audit resulting in this independent auditor's report is Kee Wendy Wing Shi.

Ernst & Young
Certified Public Accountants
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong
17 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**44,882**	47,874
Cost of inventories sold		**(223)**	(505)
Other income	6	**1,867**	306
Other losses, net	6	**(468)**	(349)
Staff costs and related expenses	7	**(32,763)**	(44,582)
Other expenses	8	**(15,023)**	(18,428)
Finance costs	9	**(444)**	(245)
Loss before tax		**(2,172)**	(15,929)
Income tax expense	10	**(140)**	(200)
Loss for the year		**(2,312)**	(16,129)
Attributable to:			
Owners of the parent		**(1,964)**	(15,673)
Non-controlling interests		**(348)**	(456)
		(2,312)	(16,129)
Other comprehensive (loss) income			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(619)**	(557)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Surplus on revaluation of owner-occupied properties upon transfer to investment properties	14	**705**	—
Income tax effect	24	**(170)**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**535**	—
Other comprehensive loss for the year		**(84)**	(557)
Total comprehensive loss for the year		**(2,396)**	(16,686)
Attributable to:			
Owners of the parent		**(2,112)**	(16,279)
Non-controlling interests		**(284)**	(407)
		(2,396)	(16,686)
Loss per share attributable to ordinary equity holders of the parent			
— Basic and diluted (HK cent)	13	**(0.10)**	(0.78)

Consolidated Statement of Financial Position

At 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**8,387**	12,553
Investment properties	15	**2,919**	—
Right-of-use assets	16	**4,833**	7,236
Goodwill	17	**—**	—
Other intangible assets	18	**—**	—
Deferred tax assets	24	**—**	141
Deposits paid	20	**421**	465
		16,560	20,395
CURRENT ASSETS			
Inventories	19	**64**	76
Trade and other receivables	20	**5,155**	3,196
Bank balances and cash	21	**59,727**	62,539
		64,946	65,811
CURRENT LIABILITIES			
Other payables and accruals	22	**5,145**	4,428
Contract liabilities	23	**14,168**	15,177
Lease liabilities	16	**2,340**	2,266
Other borrowings	25	**1,829**	1,749
Tax payable		**106**	119
		23,588	23,739
NET CURRENT ASSETS		**41,358**	42,072
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,918**	62,467
NON-CURRENT LIABILITIES			
Contract and other liabilities	23	**1,339**	1,227
Lease liabilities	16	**2,572**	4,906
Deferred tax liabilities	24	**137**	68
		4,048	6,201
NET ASSETS		**53,870**	56,266
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**20,000**	20,000
Reserves		**35,215**	37,327
		55,215	57,327
Non-controlling interests		**(1,345)**	(1,061)
Total equity		**53,870**	56,266

The consolidated financial statements on pages 51 to 107 were approved and authorised for issue by the Board of Directors on 17 March 2023 and are signed on its behalf by:

CHONG SIU NING
CHAIRMAN

CHONG SIU PUI
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Attributable to owners of the parent								
	Share capital HK$'000	Share premium HK$'000	Capital and other reserves HK$'000 (Note i)	Asset revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	20,000	72,435	3,395	—	680	(22,904)	73,606	(654)	72,952
Loss for the year	—	—	—	—	—	(15,673)	(15,673)	(456)	(16,129)
Other comprehensive (loss) income for the year									
Exchange differences arising on translation of foreign operations	—	—	—	—	(606)	—	(606)	49	(557)
Total comprehensive loss for the year	—	—	—	—	(606)	(15,673)	(16,279)	(407)	(16,686)
At 31 December 2021 and 1 January 2022	**20,000**	**72,435***	**3,395***	**—**	**74***	**(38,577)***	**57,327**	**(1,061)**	**56,266**
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(1,964)**	**(1,964)**	**(348)**	**(2,312)**
Other comprehensive (loss) income for the year									
Exchange differences arising on translation of foreign operations	**—**	**—**	**—**	**—**	**(683)**	**—**	**(683)**	**64**	**(619)**
Surplus on revaluation of owner-occupied properties upon transfer to investment properties, net of tax	**—**	**—**	**—**	**535**	**—**	**—**	**535**	**—**	**535**
Total comprehensive income (loss) for the year	**—**	**—**	**—**	**535**	**(683)**	**(1,964)**	**(2,112)**	**(284)**	**(2,396)**
At 31 December 2022	**20,000**	**72,435***	**3,395***	**535***	**(609)***	**(40,541)***	**55,215**	**(1,345)**	**53,870**

* These reserve accounts comprise the consolidated reserves of HK$35,215,000 (2021: HK$37,327,000) in the consolidated statement of financial position.

Note:

i. Capital and other reserves comprise:

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

(b) a credit amount of HK$1,000,000 representing 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 transfer of the 100% equity interest in Ahsay HK to Alpha Heritage in May 2015;

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

(d) a credit amount of HK$1,102,000 representing the deemed capital contribution from the Controlling Shareholders upon disposal of the entire equity interest in Million Victory Investment Management Limited, a then subsidiary of the Group, to a related company controlled by the Controlling Shareholders in April 2015; and

(e) a debit amount of HK$702,000 representing the changes in non-controlling interests arising from the additional capital contribution by the Group in 2019.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(2,172)**	(15,929)
Adjustments for:			
Interest income	6	**(583)**	(165)
Change in fair value of investment properties	6	**(75)**	—
Finance costs	9	**444**	245
Amortisation of other intangible assets	8	**—**	56
Impairment of other intangible assets	8	**—**	2,372
Impairment of goodwill	8	**—**	706
Depreciation of property, plant and equipment	8	**1,574**	1,528
Depreciation of right-of-use assets	8	**2,403**	2,950
Loss on write-off of property, plant and equipment		**6**	—
Operating cash flows before movements in working capital		**1,597**	(8,237)
Decrease in inventories		**12**	17
(Decrease) increase in trade and other receivables and deposits paid		**(1,851)**	705
Increase (decrease) in other payables and accruals		**784**	(1,060)
(Decrease) increase in contract and other liabilities		**(897)**	512
Cash used in operations		**(355)**	(8,063)
Income taxes (paid) refunded		**(113)**	816
NET CASH FLOWS USED IN OPERATING ACTIVITIES		**(468)**	(7,247)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(372)**	(1,486)
Redemption of financial asset at amortised cost		**—**	1,563
Interest received		**439**	158
Increase in non-pledged time deposits with original maturity of more than three months when acquired		**(10,533)**	—
NET CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		**(10,466)**	235
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(2,260)**	(3,058)
New other borrowings		**226**	72
Interest paid		**(444)**	(245)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(2,478)**	(3,231)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(13,412)**	(10,243)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**62,539**	72,850
EFFECT OF FOREIGN EXCHANGE RATE CHANGES, NET		**67**	(68)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**49,194**	62,539
ANALYSIS OF BANK BALANCES AND CASH			
Cash and cash equivalents as stated in the consolidated statement of cash flows		**49,194**	62,539
Non-pledged time deposits with original maturity of more than three months when acquired		**10,533**	—
Bank balances and cash as stated in the consolidated statement of financial position		**59,727**	62,539

1. GENERAL INFORMATION

Ahsay Backup Software Development Company Limited (the "Company") is a publicly listed company incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate holding company is All Divine Investments Limited, a private company incorporated in the British Virgin Islands (the "BVI") with limited liability; and, in the opinion of the directors, its ultimate holding company is Able Future Investments Limited, a private company incorporated in the BVI with limited liability. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of the principal place of business of the Company is 28th Floor, Ford Glory Plaza, 37 Wing Hong Street, Lai Chi Kok, Hong Kong.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. The financial statements are presented in HK$ and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of the subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

If the initial accounting for a business combination was incomplete by the end of last reporting period in which the combination occurred, during the measurement period (i.e., the period after the acquisition date during which an entity may adjust the provisional amounts recognised for a business combination), the Group shall recognise adjustments to the provisional amounts as if the accounting for the business combination had been completed at the acquisition date. Thus, the Group shall revise comparative information for prior periods presented in financial statements as needed, and disclose the nature and amount of any measurement period adjustments recognised during the reporting period.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revenue from contracts with customers

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

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

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

Output method

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

The Group recognises revenue from the following major sources:

(a) Software license sales (Note)

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

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

For software license sales, the Group considers the grant of license is a right to use the Group's intellectual property and the performance obligation is satisfied at a point in time at which the license is granted.

Payment of the transaction price is due immediately when the customer purchases the software license. See accounting policy for revenue on the provision of software upgrades and maintenance services below.

(b) Software license leasing

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

The normal credit term is 14-30 days upon the date of billing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

(b) Software license leasing (continued)

Variable consideration and "right to invoice" practical expedient

Software license leasing is charged at a fixed contractual rate per unit volume of backup storage consumed by customers on which the Group has the right to consideration. Though the consideration is variable at the inception of the contracts, the volume information is readily available right after the usage.

The Group has applied the "right to invoice" practical expedient to recognise revenues as invoiced as the Group's right to payment is for an amount that corresponds directly with the value to the customer of the Group's performance to date.

(c) Provision of software upgrades and maintenance services

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

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

(d) Provision of other services

The Group provides other services, which are mainly support services, to customers. Certain types of such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the support services as the Group continues to provide the support services to the customer. Certain types of such services are recognised as a performance obligation is satisfied at a point in time as services are rendered without future performance obligations.

(e) Sale of hardware devices (Note)

The Group sells hardware devices directly to its customers. The sale of hardware devices include subscription to certain information platform. As a result, the sale of hardware device is a contract with multiple performance obligations.

Revenue from the sale of hardware devices is recognised at the point in time when control of the assets is transferred to the customer, generally on delivery of the hardware devices.

The revenue from sale of hardware devices includes sale of hardware devices and subscription fees, which are separately identifiable.

(f) Information sharing service income

Revenue from the provision of information sharing services is recognised at a point in time as services are rendered without future performance obligations.

(g) Subscription fees

Annual subscription fees are recognised over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of goods and services provided by the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Note:

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

The Group allocates the transaction price to each performance obligation (or distinct goods or services) on a relative stand-alone selling price basis. The stand-alone selling price of the distinct goods or services underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell an item of promised goods or services separately to a customer. The stand-alone selling prices of the software license right and hardware devices are not directly observable and hence, the Group estimates them using the residual method. Under this method, the Group estimates the stand-alone selling prices of the software license right and hardware devices by reference to the total contract consideration less the observable stand-alone selling prices of the software upgrade and maintenance services and subscription fees such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the control of the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Taxation

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates 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.

Changes in value of a revalued property, plant and equipment are dealt with as movements in the asset revaluation reserve. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuation is transferred to retained profits as a movement in reserves.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment" for owned property and/or accounts for such property in accordance with the policy stated under "Leases" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment" above.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of car parking spaces and a motor vehicle (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option).

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised in profit or loss in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Intangible assets (other than goodwill)

Customer relationships

Customer relationships acquired in a business combination are identified and recognised separately from goodwill based on fair value at the acquisition date. Subsequent to initial recognition, customer relationships acquired in a business combination are stated at cost less accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives of three years.

Internally-generated intangible assets — research and development expenditures

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (other than goodwill) (continued)

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

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

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

Impairment on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise has been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a head office) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

Amortised cost and interest income

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

Impairment of financial assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

(i) Significant increase in credit risk

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

(ii) Definition of default

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liability and equity instruments

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issued costs.

Derecognition

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

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

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

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimation (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Contracts with customers to sell products and services that contain multiple performance obligations

The Group has entered into contracts with customers to sell its products and services that contain multiple performance obligations. For such contracts, significant assessments and interpretations may be required to determine the appropriate accounting, including the identification of performance obligations and the allocation of transaction prices among performance obligations in the arrangements, especially for products and services that are not sold separately. The Group applies significant judgement in the process based on the relevant circumstances.

For certain contracts with multiple promised goods or services and when the stand-alone selling price of one of the promised goods or services is unknown, the Group has determined it is appropriate to use the residual method to estimate the stand-alone selling price of a promised good or service as the difference between the total transaction price and the observable stand-alone selling prices of other promised goods or services in the contract if certain requirements are met, The Group applies significant judgement to determine the appropriateness of such method given the specific circumstances, based on, inter alia, the availability of information and historical transaction/pricing history and practice.

Presumption on fair value of investment properties recovered through sale

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

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

Critical judgements in applying accounting policies (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Key sources of estimation uncertainty

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

Estimation of fair value of investment properties

Investment properties are stated at fair values. The fair value at the end of each reporting period was based on a valuation on these properties estimated by the directors or conducted by an independent firm of professionally qualified valuers using property valuation techniques which involve making assumptions on certain market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the gain or loss recognised in profit or loss.

As at 31 December 2022, the fair value of investment properties was HK$2,919,000 (2021: Nil), details of which are included in Note 15 to the consolidated financial statements.

Estimated useful lives of internally-generated intangible assets arising from development activities (the "internally-generated intangible assets")

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

Actual economic lives may differ from estimated useful lives. If the actual useful lives of the internally-generated intangible assets are less than the original estimated useful lives due to the changes in commercial and technological environment, such difference may result in impairment and will impact the amortisation charges for the remaining periods.

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

Key sources of estimation uncertainty (continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

5. REVENUE AND SEGMENT INFORMATION

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

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

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

Segment revenue and results

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

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000
Segment revenue — External						
Software license sales	3,534	—	3,534	4,061	—	4,061
Software license leasing	16,301	—	16,301	17,957	—	17,957
Software upgrades and maintenance services	19,303	—	19,303	21,024	—	21,024
Other services	1,105	—	1,105	1,168	—	1,168
Sale of hardware devices	—	251	251	—	617	617
Information sharing service income	—	96	96	—	144	144
Subscription fees	20	4,272	4,292	—	2,903	2,903
Total revenue	40,263	4,619	44,882	44,210	3,664	47,874
Timing of revenue recognition						
At a point in time	3,590	347	3,937	4,128	761	4,889
Over time	36,673	4,272	40,945	40,082	2,903	42,985
	40,263	4,619	44,882	44,210	3,664	47,874
Segment (loss) profit	(4,488)	917	(3,571)	(15,665)	(221)	(15,886)
Unallocated incomes and expenses						
Other income			1,867			306
Other losses, net			(468)			(349)
Loss before tax			(2,172)			(15,929)

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Performance obligations

Software license sales

The performance obligation is satisfied at the point in time when the license is granted and payment is generally due from the date of billing.

Software license leasing

The performance obligation is satisfied over time and payment is generally due within 14-30 days from the date of billing, except for new customers, where payment in advance is normally required.

The Group uses the right to invoice practical expedient and determined not to disclose the amount of the remaining performance obligations for customer contracts as at the year end.

Software upgrades and maintenance services and certain types of other services

The performance obligation is satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group and payment is generally due from the date of billing.

Sale of hardware devices

The performance obligation of the sale of hardware devices is satisfied at the point in time upon delivery of the hardware devices and payment is generally due from the date of billing.

Information sharing service income and certain types of other services

The performance obligation is satisfied at the point in time as services are rendered and payment is generally due from the date of billing.

Subscription fees

The performance obligation of subscription fees is satisfied over time on a straight-line basis over the subscription period as the customers simultaneously receive and consume the benefits of services provided by the Group and payment is generally due from the date of billing.

Transaction price allocated to the remaining performance obligation for contracts with customers

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022 **HK$'000**	2021 HK$'000
Amounts expected to be recognised as revenue:		
Within one year	**14,168**	15,177
After one year	**910**	931
	15,078	16,108

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to software upgrades and maintenance services, of which the performance obligations are to be satisfied within two years.

5. REVENUE AND SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

	At 31 December 2022			At 31 December 2021		
	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000
Reportable segment assets						
Segment assets	**21,209**	**570**	**21,779**	23,237	430	23,667
Reconciliation:						
Unallocated assets						
Bank balances and cash			**59,727**			62,539
Consolidated assets			**81,506**			86,206
Reportable segment liabilities						
Segment liabilities	**24,845**	**2,791**	**27,636**	28,109	1,831	29,940

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

- all assets are allocated to operating segments other than bank balances and cash that are managed on a group basis.
- all liabilities are allocated to operating segments.

Other segment information

	For the year ended 31 December 2022			For the year ended 31 December 2021		
	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000	Online backup software and related services HK$'000	Information platform HK$'000	Total HK$'000
Capital expenditure (Note)	**358**	**14**	**372**	1,478	8	1,486
Depreciation and amortisation	**3,962**	**15**	**3,977**	4,522	12	4,534
Fair value gain on investment properties	**75**	**—**	**75**	—	—	—
Impairment losses on other intangible assets	**—**	**—**	**—**	2,372	—	2,372
Impairment losses on goodwill	**—**	**—**	**—**	706	—	706

Note: Capital expenditure consists of additions to property, plant and equipment.

5. REVENUE AND SEGMENT INFORMATION (continued)

Non-current assets by geographical location

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

	2022 **HK$'000**	2021 HK$'000
Hong Kong	**6,162**	8,913
Philippines	**9,971**	10,863
South Korea	**6**	13
	16,139	19,789

Non-current assets exclude deposits paid and deferred tax assets.

Revenue by geographical location

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

	2022 **HK$'000**	2021 HK$'000
United States of America	**5,558**	6,511
Hong Kong	**5,109**	4,110
Others (Note)	**34,215**	37,253
	44,882	47,874

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

Information about major customers

There were no sales to a single customer contributing over 10% of the total revenue of the Group in both years.

6. OTHER INCOME AND OTHER LOSSES, NET

(a) Other income

	2022 **HK$'000**	2021 HK$'000
Bank interest income	**562**	71
Interest income on refundable rental deposits	**21**	28
Interest income on financial asset at amortised cost	**—**	66
Government subsidies (Note)	**1,000**	—
Rental income	**43**	—
Sundry income	**241**	141
	1,867	306

Note: Government subsidies related to subsidies granted by the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme. There are no unfulfilled conditions or contingencies relating to these subsidies. During the year ended 31 December 2022, approximately HK$1,000,000 was received and recognised.

6. OTHER INCOME AND OTHER LOSSES, NET (continued)

(b) Other losses, net

	2022 HK$'000	2021 HK$'000
Foreign exchange differences, net	**(543)**	(349)
Fair value gains on investment properties	**75**	—
	(468)	(349)

7. STAFF COSTS AND RELATED EXPENSES

	2022 HK$'000	2021 HK$'000
Directors' emoluments (Note 11)	**6,098**	8,509
Other staff costs		
— Salaries, allowances and benefits in kind and performance and other bonuses	**25,721**	34,481
— Retirement benefit scheme contributions, excluding directors' retirement contributions*	**763**	1,015
Total directors' and staff costs	**32,582**	44,005
Staff-related expenses	**181**	577
Staff costs and related expenses	**32,763**	44,582
Research and development costs included in staff costs and related expenses	**12,177**	18,707

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. OTHER EXPENSES

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	**855**	845
Advertising and marketing expenses	**1,214**	1,277
Amortisation of other intangible assets	**—**	56
Impairment of other intangible assets	**—**	2,372
Impairment of goodwill	**—**	706
Content acquisition cost	**1,065**	719
Legal and professional fees	**1,340**	1,567
Depreciation of property, plant and equipment	**1,574**	1,528
Depreciation of right-of-use assets	**2,403**	2,950
Expenses related to short-term leases	**200**	237
Rates and property management fees	**581**	598
Merchant credit card charges	**1,260**	1,267
Electricity and water	**435**	442
Web hosting expenses	**660**	848
Others	**3,436**	3,016
	15,023	18,428

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expense on:		
Lease liabilities	**365**	164
Other borrowings	**79**	81
	444	245

10. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax:		
Hong Kong Profits Tax	**130**	188
Overprovision in prior years	**(30)**	(14)
	100	174
Deferred tax (Note 24)	**40**	26
	140	200

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

Under the two-tiered profits tax rates regime, one of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million. Other Hong Kong subsidiaries of the Company are subject to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2022 and 2021, respectively.

Under the Enterprise Income Tax Law (the "EIT Law") of the People's Republic of China (the "PRC") and the Implementation Regulation of the EIT Law, the tax rate of the Group's PRC subsidiary is 25% for both years. No provision for taxation in the PRC has been made for both years as the Group had no assessable profits in the PRC.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

10. INCOME TAX EXPENSE (continued)

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

	2022 HK$'000	2021 HK$'000
Loss before tax	**(2,172)**	(15,929)
Tax at the Hong Kong Profits Tax rate of 16.5%	**(358)**	(2,628)
Differences in tax rates for specific provinces or enacted by local authority	**43**	47
Tax effect of expenses not deductible for tax purposes	**149**	246
Tax effect of income not taxable for tax purposes	**(270)**	(11)
Tax effect of tax losses not recognised	**718**	2,335
Tax losses utilised from previous period	**(189)**	(44)
Tax effect of deductible temporary differences not recognised	**135**	367
Overprovision in prior years	**(30)**	(14)
Income tax at the concessionary rate	**(58)**	(98)
Income tax expense for the year	**140**	200

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

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

	For the year ended 31 December 2022				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000 (Note iii)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Chong King Fan	200	—	—	—	200
Chong Siu Pui (Note i)	200	1,999	167	18	2,384
Chong Siu Ning	200	2,304	192	18	2,714
Non-executive director					
Chong Siu Fan	200	—	—	—	200
	800	4,303	359	36	5,498
Independent non-executive directors					
Wong Cho Kei Bonnie	200	—	—	—	200
Wong Pui Man	200	—	—	—	200
Wong Yau Sing	200	—	—	—	200
	600	—	—	—	600
Total directors' emoluments	1,400	4,303	359	36	6,098

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

	For the year ended 31 December 2021				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Performance related bonuses HK$'000 (Note iii)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors					
Chong King Fan	200	377	—	—	577
Chong Siu Pui (Note i)	200	2,968	—	18	3,186
Chong Siu Ning	200	3,420	—	18	3,638
Non-executive director					
Chong Siu Fan (Note ii)	200	298	—	10	508
	800	7,063	—	46	7,909
Independent non-executive directors					
Wong Cho Kei Bonnie	200	—	—	—	200
Wong Pui Man	200	—	—	—	200
Wong Yau Sing	200	—	—	—	200
	600	—	—	—	600
Total directors' emoluments	1,400	7,063	—	46	8,509

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 or its subsidiaries.

Notes:

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

ii) Ms. Chong Siu Fan was re-designated from executive director to non-executive director on 16 July 2021. The emoluments disclosed above included those services rendered by her as the executive director and non-executive director.

iii) The performance related bonuses are determined by the Board of Directors of the Company (the "Board") based on the Group's performance for both years.

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

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

Employees' remuneration

The five highest paid individuals with the highest emoluments in the Group included two directors for the year ended 31 December 2022 (2021: two), details of their emoluments are set out above. The remuneration for the remaining three individuals for the year ended 31 December 2022 (2021: three individuals) is as follows:

	2022 HK$'000	2021 HK$'000
Salaries, allowances and benefits in kind	**2,948**	3,518
Performance and other bonuses	**246**	—
Retirement benefit scheme contributions	**54**	54
	3,248	3,572

The number of the highest paid employees who are not directors of the Company whose emoluments fell within the following bands is as follows:

	No. of employees	
	2022	2021
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
	3	3

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

12. DIVIDENDS

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

13. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted loss per share attributable to ordinary equity holders of the parent is based on the following data:

	2022 HK$'000	2021 HK$'000
Loss attributable to ordinary equity holders of the parent	**(1,964)**	(15,673)

	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	**2,000,000**	2,000,000

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

14. PROPERTY, PLANT AND EQUIPMENT

	Ownership interests in properties held for own use HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST					
At 1 January 2021	11,174	4,465	6,484	151	22,274
Additions	—	—	1,486	—	1,486
Write-off	—	—	(2,058)	—	(2,058)
Exchange realignment	(608)	(74)	(51)	—	(733)
At 31 December 2021 and 1 January 2022	**10,566**	**4,391**	**5,861**	**151**	**20,969**
Additions	**—**	**—**	**372**	**—**	**372**
Write-off	**—**	**—**	**(112)**	**—**	**(112)**
Transfer upon revaluation*	**(405)**	**—**	**—**	**—**	**(405)**
Surplus on revaluation upon transfer to investment properties	**705**	**—**	**—**	**—**	**705**
Transfer to investment properties	**(2,827)**	**—**	**—**	**—**	**(2,827)**
Exchange realignment	**(893)**	**(107)**	**(74)**	**—**	**(1,074)**
At 31 December 2022	**7,146**	**4,284**	**6,047**	**151**	**17,628**
ACCUMULATED DEPRECIATION					
At 1 January 2021	613	3,281	4,932	151	8,977
Provided for the year	421	281	826	—	1,528
Eliminated on write-off	—	—	(2,030)	—	(2,030)
Exchange realignment	(32)	(14)	(13)	—	(59)
At 31 December 2021 and 1 January 2022	**1,002**	**3,548**	**3,715**	**151**	**8,416**
Provided for the year	**378**	**260**	**936**	**—**	**1,574**
Eliminated on write-off	**—**	**—**	**(106)**	**—**	**(106)**
Transfer upon revaluation*	**(405)**	**—**	**—**	**—**	**(405)**
Exchange realignment	**(117)**	**(61)**	**(60)**	**—**	**(238)**
At 31 December 2022	**858**	**3,747**	**4,485**	**151**	**9,241**
CARRYING VALUES					
At 31 December 2022	**6,288**	**537**	**1,562**	**—**	**8,387**
At 31 December 2021	9,564	843	2,146	—	12,553

* The transfer was related to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

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

Ownership interests in properties held for own use	Building situated on leasehold land is depreciated over the shorter of the unexpired term of the lease and its estimated useful life, being no more than 50 years after the date of completion
Leasehold improvements	5 years
Furniture, fixtures and equipment	3 to 4 years
Motor vehicle	3 to 4 years

The Group's ownership interests in properties held for own use are held under a medium-term lease in the Philippines.

During the year, certain of the Group's ownership interests in properties held for own use were transferred to investment properties, details of which are disclosed in note 15 to the consolidated financial statements.

15. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	—	—
Net gain from a fair value adjustment	75	—
Transfer from owner-occupied property (Note 14)	2,827	—
Exchange realignment	17	—
Carrying amount at 31 December	2,919	—

During the year ended 31 December 2022, the Group entered into a lease arrangement with an independent third party to lease out premises in the Philippines (the "leased premises") for a term of 3 years commencing from 15 August 2022. Upon commencement of the lease arrangement, the leased premises were transferred from property, plant and equipment to investment properties at a fair value measured at HK$2,827,000, with a corresponding revaluation surplus of HK$705,000 credited in the asset revaluation reserve.

The investment properties are leased to third parties under an operating lease, details of which are included in note 16 to the consolidated financial statements.

The Group's investment properties consist of an office unit and two car parking spaces in the Philippines. The Group's investment properties were revalued on 31 December 2022 based on valuations performed by Aceland Property Valuers, Inc., independent professionally qualified valuers, at HK$2,919,000. Each year, the management of the Group decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Group have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2022 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Recurring fair value measurement for:				
Office unit and car parks	—	—	2,919	2,919

During the year, there were no transfers of fair value measurements between Level 1 and 2 and no transfers into or out of each level, apart from the transfer from owner-occupied properties into Level 3 as detailed above.

The valuation of the investment properties were carried out by the valuer using the market approach. The significant unobservable inputs used in the valuation consisted of price per square meter in the range of PHP100,388 to PHP181,694, a significant increase/(decrease) in the price per square meter would result in a significant increase/(decrease) in the fair value of the investment properties. In the opinion of the directors, the highest and best use of the property is its current use.

16. LEASES

The Group as a lessee

The Group has lease contracts for offices, car parking spaces and a motor vehicle used in its operations. Leases of offices generally have lease terms between 1 and 3 years, while car parking spaces generally have lease terms ranged from 1 to 2 years. The motor vehicle has a lease term of 60 months. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) *Right-of-use assets*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Office premises and a car parking space HK$'000	Motor vehicle HK$'000	Total HK$'000
As at 1 January 2021	2,900	25	2,925
Additions	7,014	247	7,261
Depreciation charge	(2,900)	(50)	(2,950)
As at 31 December 2021 and 1 January 2022	**7,014**	**222**	**7,236**
Depreciation charge	**(2,354)**	**(49)**	**(2,403)**
As at 31 December 2022	**4,660**	**173**	**4,833**

On 12 November 2021, Ahsay HK as tenant, a wholly-owned subsidiary of the Company, and Assets Sino Investments (HK) Limited as landlord and a connected person of the Company, entered into a renewal tenancy agreement ("Renewal Tenancy Agreement") in relation to the tenancy of the office premises for a term of two years commencing from 1 January 2022 to 31 December 2023 with an option to renew for a further term of one year from the expiration of the Renewal Tenancy Agreement. Monthly rental (exclusive of government rates, government rent and management fee) under the Renewal Tenancy Agreement amounted to HK$210,000. This related party transaction also constituted connected transactions as defined in Chapter 20 of the GEM Listing Rules.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises and a car parking space	3 years
Motor vehicle	3 to 4 years

(b) *Lease liabilities*

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 HK$'000	2021 HK$'000
Carrying amount at 1 January	**7,172**	3,041
Additions	**—**	7,189
Accretion of interest recognised during the year	**365**	164
Payments	**(2,625)**	(3,222)
Carrying amount at 31 December	**4,912**	7,172
Analysed into:		
Current portion	**2,340**	2,266
Non-current portion	**2,572**	4,906
	4,912	7,172

16. LEASES (continued)

The Group as a lessee (continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK$'000	2021 HK$'000
Interest on lease liabilities	**365**	164
Depreciation charge of right-of-use assets	**2,403**	2,950
Expense relating to short-term leases	**200**	237
Total amount recognised in profit or loss	**2,968**	3,351

The Group as a lessor

The Group leases its investment properties (Note 15) in the Philippines under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was HK$43,000 (2021: Nil).

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK$'000	2021 HK$'000
Within one year	**115**	—
After one year but within two years	**115**	—
After two years but within three years	**71**	—
	301	—

17. GOODWILL

	HK$'000
Cost and net carrying amount at 1 January 2021	706
Impairment during the year	(706)
Cost and net carrying amount at 31 December 2021, 1 January 2022 and 31 December 2022	—

Impairment testing of goodwill

The goodwill acquired through a business combination is allocated to an online backup software cash-generating unit in South Korea (the "South Korea CGU") for impairment testing for the year ended 31 December 2021.

South Korea CGU

The recoverable amount of the South Korea CGU as at 31 December 2021 was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by management. The discount rate applied to the cash flow projections was 19.7% and cash flows beyond the five-year period were extrapolated using the growth rate of 2.0%. The rate did not exceed the long term average growth rate of the relevant markets.

Assumptions were used in the value in use calculation of the South Korea CGU. The following describes each key assumption on which management based its cash flow projections to undertake impairment testing of goodwill and other intangible assets allocated to the South Korea CGU:

Budgeted revenue — The basis used to determine the value assigned to the budgeted revenue is the revenue achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected business and market developments.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the South Korea CGU.

During the year ended 31 December 2021, the prolonged COVID-19 pandemic, including the outbreaks in South Korea caused by the Delta and Omicron variants, had an unprecedented negative impact on the business and operation of the South Korea CGU. Its impact on the future prospect of the South Korea CGU could only be determined after the strategic planning and budgeting process that underpinned the year-end impairment review. Taking into consideration the potential external challenges and expected business and market developments, the recoverable amount of the South Korea CGU as at the end of the reporting period estimated by management based on the current estimate of value in use had been significantly reduced as compared to the previous estimate, resulting in the recognition of impairment losses for the year arising from the full impairment of goodwill and certain other intangible assets (Note 18) allocated to the South Korea CGU of approximately HK$706,000 and HK$74,000, respectively, within the online backup software and related services segment.

18. OTHER INTANGIBLE ASSETS

	Development costs HK$'000	Customer relationships HK$'000	Total HK$'000
COST			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**7,028**	**167**	**7,195**
AMORTISATION AND IMPAIRMENT			
At 1 January 2021	4,674	93	4,767
Provided for the year	—	56	56
Impairment during the year	2,354	18	2,372
At 31 December 2021, 1 January 2022 and 31 December 2022	**7,028**	**167**	**7,195**
CARRYING VALUE			
At 31 December 2021 and 31 December 2022	**—**	**—**	**—**

The other intangible assets represent the capitalised development costs incurred in developing the online backup software (i.e. the internally-generated intangible assets) and customer relationships acquired. The capitalised development costs were mainly employee related costs directly attributable to development activities.

The customer relationships were acquired through a business combination in prior years and were allocated to the online backup software cash-generating unit in South Korea. Details of impairment testing are set out in note 17 to the consolidated financial statements.

The external business environment had drastically deteriorated in the second half of the year ended 31 December 2021 as a result of the prolonged COVID-19 pandemic, including the outbreaks of the Delta and Omicron variants. The increasing presence of and intense competition from competitors with similar product offerings, a lower projected demand, as well as rising operating costs had negatively affected the projected cash flows expected to derive from the capitalised development costs. Arising from these, prior year assumptions on projected cash flows based on financial budgets were reassessed and reduced to reflect the current assessment of future outlook in the impairment assessment of the capitalised development costs. The resulting minimal recoverable amount was estimated based on the value in use of the capitalised development costs, determined using a discount rate of 15%. This resulted in the recognition of an impairment loss of HK$2,354,000 on the capitalised development costs within the online backup software and related services segment during the year ended 31 December 2021.

19. INVENTORIES

	2022 HK$'000	2021 HK$'000
Finished goods	**64**	76

20. TRADE AND OTHER RECEIVABLES/DEPOSITS PAID

	2022 HK$'000	2021 HK$'000
Current assets		
Trade receivables — aged within 30 days, based on the invoice date	**3,354**	1,487
Rental and utility deposits	**275**	293
Prepaid operating expenses and other receivables	**1,526**	1,416
Total	**5,155**	3,196
Non-current assets		
Deposits paid	**421**	465

The Group's trade receivables consist of receivables from customers and credit card companies. The Group's sales are generally made through the internet when payment is normally required before the delivery of software licenses and the provision of services. For software license leasing which charges the customers monthly license fees on a pay-as-you-go basis, the Group offers a credit period of 14-30 days to these customers.

Details of impairment assessment of trade and other receivables and deposits paid as at 31 December 2022 and 31 December 2021 are set out in note 29.

21. BANK BALANCES AND CASH

Bank balances carry interest at market rates which ranged from 0.0625% to 5.53% (2021: 0.001% to 0.25%) per annum as at 31 December 2022 and 2021.

22. OTHER PAYABLES AND ACCRUALS

	2022 HK$'000	2021 HK$'000
Accrued staff costs and related expenses	**3,322**	2,583
Other payables and accrued operating expenses	**1,823**	1,845
Total	**5,145**	4,428

Other payables are non-interest bearing. The ageing of other payables was less than one year, based on the invoice date.

23. CONTRACT AND OTHER LIABILITIES

	Note	2022 HK$'000	2021 HK$'000
Contract liabilities	(a)	**15,078**	16,108
Others		**429**	296
Total		**15,507**	16,404
Current		**14,168**	15,177
Non-current		**1,339**	1,227
		15,507	16,404

Note:

(a) DETAILS OF CONTRACT LIABILITIES ARE AS FOLLOWS:

	31 December 2022 HK$'000	31 December 2021 HK$'000	1 January 2021 HK$'000
Advances received from customers			
Software license sales	**347**	184	15
Software license leasing	**756**	437	503
Software upgrades and maintenance services	**10,793**	13,376	13,445
Other services	**712**	485	563
Information sharing service income	**416**	428	421
Subscription fees	**2,054**	1,198	658
Total contract liabilities	**15,078**	16,108	15,605

Contract liabilities include short-term advances received for software license sales, software license leasing, software upgrades and maintenance services, information sharing service income, subscription fees and other services. The decrease in contract liabilities in 2022 was mainly due to the decrease in advances received from customers in relation to the software upgrades and maintenance services. The increase in contract liabilities in 2021 was mainly due to the increase in advances received from customers in relation to the subscription fees for an information platform.

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

Revenue recognised that was included in the contract liabilities balance at the beginning of the year	2022 HK$'000	2021 HK$'000
Software license sales	**—**	15
Software license leasing	**437**	503
Software upgrades and maintenance services	**11,466**	11,693
Other services	**485**	563
Information sharing service income	**96**	421
Subscription fees	**1,103**	658
	13,587	13,853

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

- **Trade and other deposits from customers and advances received for software upgrades and maintenance services**
  When the Group receives a deposit before a service is rendered, this will give rise to a contract liability at the beginning of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

24. DEFERRED TAX ASSETS/LIABILITIES

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

Deferred tax liabilities

	Revaluation of properties HK$'000	Depreciation allowance in excess of related depreciation HK$'000	Accelerated tax amortisation of intangible assets HK$'000	Total HK$'000
At 1 January 2021	—	42	388	430
Charged (credited) to profit or loss (Note 10)	—	26	(388)	(362)
At 31 December 2021	—	68	—	68
Credited to profit or loss (Note 10)	(55)	(46)	—	(101)
Charged to other comprehensive expense	170	—	—	170
At 31 December 2022	115	22	—	137

Deferred tax assets

	Depreciation in excess of related depreciation allowance HK$'000	Unrealised profits on inventories HK$'000	Loss available for offsetting against future taxable profits HK$'000	Total HK$'000
As at 1 January 2021	195	141	193	529
Charged to profit or loss (Note 10)	(195)	—	(193)	(388)
At 31 December 2021	—	141	—	141
Charged to profit or loss (Note 10)	—	(141)	—	(141)
At 31 December 2022	—	—	—	—

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

	2022 HK$'000	2021 HK$'000
Net deferred tax assets recognised in the consolidated statement of financial position	**—**	141
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(137)**	(68)

24. DEFERRED TAX ASSETS/LIABILITIES (continued)

The Group has tax losses arising in Hong Kong of approximately HK$50,087,000 (2021: HK$48,026,000), subject to the agreement by the Hong Kong Inland Revenue Department, that are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. The Group has tax losses arising in Mainland China, South Korea, Taiwan and Singapore of approximately HK$221,000 (2021: HK$295,000), HK$720,000 (2021: HK$865,000), HK$264,000 (2021: HK$222,000) and HK$561,000 (2021: HK$191,000), respectively, that will expire in one to five years, one year, ten years, and are available indefinitely, respectively, for offsetting against future taxable profits.

In addition, no deferred tax assets are recognised for other unused tax losses arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. OTHER BORROWINGS

	Effective interest rate per annum %	**Maturity**	**Other borrowings HK$'000**
As at 31 December 2022			
Current			
Other loans — unsecured (Note (a))	4.6	2023	1,829
As at 31 December 2021			
Current			
Other loans — unsecured (Note (a))	4.6	2022	1,749

Note:

(a) Other borrowings of the Group are denominated in Korean Won ("KRW") and unsecured and bear interest at variable market rates.

26. SHARE CAPITAL

	Number of shares	**Share capital HK$'000**
Ordinary shares of HK$0.01 each		
Authorised:		
At 31 December 2021 and 31 December 2022	10,000,000,000	100,000
Issued:		
At 31 December 2021 and 31 December 2022	2,000,000,000	20,000

27. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions from employers and employees are 5% each of the employee's relevant income. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of an independent trustee. During the current year, the retirement benefit scheme contributions arising from the MPF Scheme charged to profit or loss were HK$799,000 (2021: HK$1,061,000).

28. CAPITAL RISK MANAGEMENT

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

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

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

The Group monitors capital using a gearing ratio which is measured on the basis of the total interest-bearing other borrowings to the total equity. As at 31 December 2022, the Group's gearing ratio was approximately 3.4% (2021: 3.1%).

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Financial assets at amortised cost	
	2022	2021
	HK$'000	HK$'000
Financial assets included in trade and other receivables/deposits paid	**4,239**	2,442
Bank balances and cash	**59,727**	62,539
	63,966	64,981

29. FINANCIAL INSTRUMENTS (continued)

a. Categories of financial instruments (continued)

Financial liabilities

	Financial liabilities at amortised cost	
	2022	2021
	HK$'000	HK$'000
Financial liabilities included in other payables and accruals	**1,823**	1,845
Lease liabilities	**4,912**	7,172
Other borrowings	**1,829**	1,749
	8,564	10,766

b. Fair value of financial instruments

At the end of the reporting period, the carrying amounts of the Group's financial assets and liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of financial assets included in trade and other receivables/ deposits paid, bank balances and cash, financial liabilities included in other payables and accruals and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments or the effect of discounting is not material.

c. Financial risk management objectives and policies

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

Market risks

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

(i) Interest rate risk management

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's other borrowings with floating interest rates.

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

29. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Market risks (continued)

(i) Interest rate risk management (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before tax (through the impact of other borrowings with floating interest rates).

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
2022		
KRW	**(50)**	**(9)**
KRW	**50**	**9**

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before tax HK$'000
2021		
KRW	(50)	(9)
KRW	50	9

There is no impact on the Group's equity except on the accumulated losses.

(ii) Currency risk

The Group has transactional currency exposures. Such exposures mainly arise from revenue generated and/or costs and expenses incurred by operating units in currencies other than the Group's operating units' functional currencies. The Group does not use any derivative contracts to hedge against its exposure to currency risk. The directors of the Company manage currency risk by closely monitoring the movement of the foreign currency exchange rates and considering hedging significant foreign currency exposure should such need arise.

The carrying amounts of the Group's monetary assets denominated in currencies other than the Group's operating units' functional currencies at the end of the reporting period are mainly denominated in US$. As HK$ is pegged to the US$ within a narrow band, the Group does not expect any significant movements in the US$/HK$ exchange rate. Accordingly, management considers that the Group's foreign currency risk exposure to US$ is not significant.

29. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2022 and 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the 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 financial asset at the end of the reporting period to ensure that adequate impairment losses are recognised for irrecoverable amounts. Furthermore, the Group performs impairment assessment under the ECL model upon application of HKFRS 9 on trade balances based on a provision matrix.

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

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

As at 31 December 2022 and 2021, trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. There was no single customer contributing over 10% of the total trade receivables of the Group. The Group does not have any other significant concentration of credit risk. The directors of the Company closely monitor the subsequent settlements of the customers. In this regard, the directors of the Company consider that the Group's credit concentration risk is significantly mitigated.

As part of the Group's credit risk management, the Group uses debtors' ageing to assess the impairment for its customers because there is a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. During the years ended 31 December 2022 and 2021, the expected loss rate was minimal, given there was no history of significant defaults from customers and the impact from forward-looking estimate was insignificant. As at 31 December 2022 and 31 December 2021, the trade receivables are current and not past due. The assessed expected credit losses for the trade receivables are not significant. The grouping is regularly reviewed by management to ensure that relevant information about specific debtors is updated.

During the year ended 31 December 2022, no impairment allowance for trade receivables is provided based on the provision matrix (2021: Nil).

29. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Maximum exposure and year-end staging as at 31 December 2022

	12-month ECLs	**Lifetime ECLs**			
	Stage 1 HK$'000	**Stage 2 HK$'000**	**Stage 3 HK$'000**	**Simplified approach HK$'000**	**Total HK$'000**
Trade receivables	**—**	**—**	**—**	**3,354**	**3,354**
Financial assets included in other receivables and deposits paid					
— Normal *	**885**	**—**	**—**	**—**	**885**
Bank balances and cash					
— Not yet past due	**59,727**	**—**	**—**	**—**	**59,727**
	60,612	**—**	**—**	**3,354**	**63,966**

Maximum exposure and year-end staging as at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	Total HK$'000
Trade receivables	—	—	—	1,487	1,487
Financial assets included in other receivables and deposits paid					
— Normal *	955	—	—	—	955
Bank balances and cash					
— Not yet past due	62,539	—	—	—	62,539
	63,494	—	—	1,487	64,981

* The credit quality of financial assets included in other receivables and deposits paid is considered as "normal" when it is not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

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

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

29. FINANCIAL INSTRUMENTS (continued)

c. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Repayable on demand or less than 1 year HK$'000	1 to 5 years HK$'000	Total HK$'000
As at 31 December 2022			
Non-derivative financial liabilities			
Financial liabilities included in other payables and accruals	**1,823**	**—**	**1,823**
Lease liabilities	**2,625**	**2,658**	**5,283**
Other borrowings	**1,913**	**—**	**1,913**
	6,361	**2,658**	**9,019**
As at 31 December 2021			
Non-derivative financial liabilities			
Financial liabilities included in other payables and accruals	1,845	—	1,845
Lease liabilities	2,625	5,283	7,908
Other borrowings	1,829	—	1,829
	6,299	5,283	11,582

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2021, the Group had non-cash additions to right-of-use assets and lease liabilities of HK$7,261,000 and HK$7,189,000, respectively, in respect of lease arrangements for offices, car parking spaces and a motor vehicle.

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

	Lease liabilities HK$'000	Other borrowings HK$'000
At 1 January 2022	7,172	1,749
Changes from financing cash flows	(2,260)	226
Interest expense	365	79
Interest paid classified as financing cash flows	(365)	(79)
Foreign exchange movement	—	(146)
At 31 December 2022	4,912	1,829

	Lease liabilities HK$'000	Other borrowings HK$'000
At 1 January 2021	3,041	1,811
Changes from financing cash flows	(3,058)	72
New leases	7,189	—
Interest expense	164	81
Interest paid classified as financing cash flows	(164)	(81)
Foreign exchange movement	—	(134)
At 31 December 2021	7,172	1,749

31. SHARE OPTION SCHEME

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

The Board may grant options to subscribe for shares in the Company at a price determined by its Board, but the price shall not be less than the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a trading day; (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share on such date of grant.

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

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

No options have been granted during both years under the Scheme. There were no options outstanding under the Scheme as at 31 December 2022 and 2021.

32. RELATED PARTY TRANSACTIONS

(a) Transactions with a related party:

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

Name of related company	Nature of transactions	2022 HK$'000	2021 HK$'000
Assets Sino Investments (HK) Limited*	Lease payments	**2,520**	3,120

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

This related party transaction also constituted continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(b) Compensation of key management personnel:

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

	2022 HK$'000	2021 HK$'000
Short-term benefits	**9,256**	11,981
Post-employment benefits	**90**	100
	9,346	12,081

33. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries held by the Company at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid-up share capital/ registered capital	Attributable equity interest held by the Group 2022	Attributable equity interest held by the Group 2021	Principal activities
Ahsay Systems Corporation Limited	Hong Kong	Ordinary shares HK$1,000,000	**100%**	100%	Investment holding and provision of online backup software solutions to clients via the internet
Ahsay Systems Corporation (SG) Pte. Ltd.	Singapore	Ordinary shares SGD100,000	**100%**	100%	Provision of online backup software solutions to clients via the internet
Ahsay Korea Co., Ltd.	South Korea	Ordinary shares KRW575,000,000	**52.17%**	52.17%	Provision of online backup software solutions to clients via the internet
亞勢軟件(重慶)有限公司 Ahsay Systems Corporation (Chongqing) Limited#	Mainland China	Registered capital RMB100,000	**100%**	100%	Inactive
Alpha Heritage Holdings Limited	BVI	Ordinary share US$1	**100%***	100%*	Investment holding
Apex Ace Investments Limited	BVI	Ordinary share US$1	**100%***	100%*	Investment holding
Ahsay Service Centre Limited	Hong Kong	Ordinary shares HK$3,700,000	**100%**	100%	Provision of services to a fellow subsidiary through the representative office in the Philippines
Ahsay Investments Limited	Hong Kong	Ordinary shares HK$1	**100%**	100%	Investment holding
Ahsay Operation Centre Limited	Hong Kong	Ordinary shares HK$310,000	**100%**	100%	Provision of services to a fellow subsidiary through the representative office in the Philippines
CloudBacko Corporation	BVI/Hong Kong	Ordinary shares US$10	**100%**	100%	Provision of online backup software solution to clients via the internet
Hekman Limited	BVI	Ordinary shares US$10	**100%**	100%	Investment holding
Kintips Limited	Hong Kong	Ordinary shares HK$10,000	**100%**	100%	Provision of information sharing services and an analysis tool
台灣亞勢備份軟件有限公司 Taiwan Ahsay Backup Software Company Limited^	Taiwan	Ordinary shares NTD500,000	**—**	100%	Inactive

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

\# Registered as a wholly-foreign-owned enterprise under PRC law.

^ Deregistered during the year.

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

34. FINANCIAL INFORMATION OF THE COMPANY

ASSETS AND LIABILITIES

	2022 HK$'000	2021 HK$'000
CURRENT ASSETS		
Amounts due from subsidiaries	**79,208**	79,283
Receivables, deposits and prepayments	**156**	156
Bank balances and cash	**55**	137
	79,419	79,576
NET ASSETS	**79,419**	79,576
CAPITAL AND RESERVES		
Share capital	**20,000**	20,000
Reserves	**59,419**	59,576
	79,419	79,576

RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2021	72,435	(12,708)	59,727
Loss for the year and other comprehensive loss	—	(151)	(151)
At 31 December 2021 and 1 January 2022	**72,435**	**(12,859)**	**59,576**
Loss for the year and other comprehensive loss	**—**	**(157)**	**(157)**
At 31 December 2022	**72,435**	**(13,016)**	**59,419**

35. EVENT AFTER THE REPORTING PERIOD

In February 2023, the Group had entered into an agreement with other shareholders of Ahsay Korea Co., Ltd. ("Ahsay Korea"), a 52.17% owned subsidiary of the Company, to transfer the control of Ahsay Korea to other shareholders by the cessation of the Group's right to appoint any director and Chairman of Ahsay Korea. In the opinion of the directors, the Group lost control on Ahsay Korea since then as the Group no longer has the ability to affect the returns of Ahsay Korea through its power over Ahsay Korea. Accordingly, Ahsay Korea ceased to be a subsidiary of the Group.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, is set out below:

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**44,882**	47,874	54,838	59,091	63,014
Net (loss) profit for the year	**(2,312)**	(16,129)	(4,451)	(530)	7,860

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**81,506**	86,206	99,432	107,345	100,388
Total liabilities	**(27,636)**	(29,940)	(26,480)	(30,507)	(23,236)
Total equity	**53,870**	56,266	72,952	76,838	77,152

Note:

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